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Why Fight Japan?

By GEORGE E. SOKOLSKY*

EUROPEANS have come to regard war between the United States and Japan as inevitable. Soviet Russia, since 1924, has predicated her Far Eastern policy upon the assumption that such a war would ultimately occur, and with American public opinion ever in mind has raised or lowered her tone toward Japan. China has never been quite able to understand the policy and attitude of the United States, because while American policy since 1915 has seemed to be aggressively anti-Japanese, American action has been limited to writing notes and delivering speeches—something which the Chinese themselves do far better.

The Japanese have been puzzled. To them the attitude of the United States has surpassed all understanding. Until 1906 the United States seemed to be Japan's mentor and protector; since 1906 the United States has been a stumbling block in what the Japanese

insist is a struggle for equality and security. What, they ask, has brought about this change of relations? Why should the United States seek to limit, to hamper—in fact, to destroy—Japan as a primary power?

American public opinion has undoubtedly been growing more and more anti-Japanese every year. There are many Americans who now believe that war with Japan is inevitable, although it is difficult to discover as many who are prepared to analyze the issue out of which such a war may arise or the advantages that may come from victory. Whether this anti-Japanese feeling is grounded in reality, is emotional antagonism to an aggressive nation or is a product of an increasing friendliness toward China and the Soviet Union does not matter. The fact remains that the objective enemy of the United States has become Japan.

A war between the United States and Japan can have no immediate economic basis. American opinion is undecided whether the export of capital

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and the stimulation of foreign trade are advantageous policies. The current attitude is clearly in the direction of economic nationalism, and that would reduce foreign trade and export capital to a minimum. If this policy should be pursued to its logical conclusion, then the Far Eastern markets for our goods or investments can be of no importance to us.

Actually, in 1931 Japan had invested in China, including Manchuria, nearly \$1,500,000,000. This investment has since been increased enormously by loans and investments in the new State of Manchukuo, the complete figures not yet being available. The United States, on the other hand, had in 1931 an investment in China, including Manchuria, of nearly \$200,000,000, or not quite one-seventh of Japan's investment. This amount has not increased. The American interest in Manchuria has never been more than a nominal real estate investment of a few million dollars.

Even in the depression year 1933 American trade with Japan amounted to \$271,855,000, and with China to \$102,249,000. During that year American trade with Japan increased by 6.6 per cent and with Manchuria by 126 per cent; American exports to China decreased and imports from China increased.

Thus it is obvious that American antagonism to Japan does not arise from Japanese attacks on a market that either has been highly developed by American business or is at present of importance to us. In any case, the total trade between the United States and China and Japan amounts to only \$370,000,000, which is less than 10 per cent of our foreign trade.

If the United States, on the other hand, should determine upon a policy of exporting capital for the develop-

ment of backward, low-subsistence countries, or if the economic nationalism of the New Deal should prove erroneous and futile, then the picture would be altogether different. China presents a vast potential market because its four or five hundred million people live on such a low subsistence level that any rise at all, no matter how much limited, would result in increased purchases of manufactured goods. Furthermore, as the industrial revolution gradually encompasses larger areas in China, the Chinese will have to import from abroad increasingly large quantities of capital and machinery. In this field the United States can play a principal rôle and would compete with Japan.

It is impossible, however, to assume that a war involving the United States will take place over a potential market, particularly when the trend is to raise prices in this country so that even durable goods become prohibitive in a low-subsistence country. If the stake were tangible, war might be regarded as reasonable to win and hold such a market, but our tariff policy, our NRA policy and our silver policy indicate that the United States does not consider the China market as a factor in economic recovery. Why, therefore, should we go to war for such a market?

Japan, nevertheless, fears the possibility of American competition, particularly in Manchuria, where she has been pursuing a policy by which foreign, including American, goods must be subordinated in that market to Japanese goods, and must be sold through Japanese firms. Potentially this policy is meaningless because, if China and Manchuria are to be modernized, no one country, surely not Japan, can supply either the quantity or the variety of goods and services required. Yet Japan's attitude is re-

sented and has been accepted as a frontal attack on American trade.

The Russians do not believe that the New Deal will succeed. They generally hold that it will be impossible for the United States to put its vast industrial and agrarian population back to work without developing foreign markets. They maintain that the capitalistic system of distribution makes it inevitable for the United States ultimately to seek such markets and that China offers a favorable arena for American economic exploitation. Therefore, the argument proceeds, if the New Deal should fail, it will become necessary for the United States to enter the China market aggressively. This the Japanese fear as well. Some Japanese go even further. They fear that if re-employment fails in the United States, a war with Japan may become an economic necessity. It is this fear which is played upon by Japan's apostles of a big navy.

But potentialities and fears of the failure of recovery in the United States cannot altogether be accepted as a premise for a war. The potentialities of the China market have always existed; yet no world war has occurred because of them. Nevertheless, Japan constantly finds new reasons for fearing the United States. Similarly, the United States discovers new reasons for distrusting Japan. These fears and distrusts are not grounded in the economics of the Pacific. They are psychological and historical; they are often without solution because they are intangible.

Viscount Kikujiro Ishii once wrote: "Ever since Japan's entrance into the family of modern nations in the middle of the nineteenth century her diplomacy has striven, and still strives, to attain two objectives—equality and security."

In this search she has been notably assisted by the United States. After Commodore Perry, in command of an American fleet, opened Japan to Western economic and political processes, the United States in 1855 sent Townsend Harris to Japan as its first Consul General. Undoubtedly it was Harris who opened the eyes of the rulers of Japan to the world about them, to the dangers of European imperialism, to the necessity of bending their energies in the direction of equality and security.

As soon as Japan emerged from her isolation, her prospective enemy was clearly Russia, which had already begun to move into Manchuria and Korea and the islands to the north of Japan. Japan was protected from Russia, in a manner that the Japanese cannot fail to recognize, by the attitude of the United States. John Hay's Open Door policy was aimed largely at Russian aggression in Manchuria. There can be no question that President Theodore Roosevelt gave the Anglo-Japanese Alliance tacit support. When war broke out between Russia and Japan in 1904, the United States helped to finance Japan, and Theodore Roosevelt definitely indicated to Germany and France that if they supported Russia against Japan, as they had in 1895, Japan would receive the support of the United States and Great Britain. When it was advisable to end the war while Japan was still the victor, Roosevelt called a peace conference at Portsmouth and Japan gained an empire.

Until that moment, no two countries could have been more friendly. Japan imitated American ways; the United States supported Japan's development as a modern State. Then began a series of misunderstandings which have not yet ceased.

Immediately after the conclusion of

the Russo-Japanese War, E. H. Harriman embarked upon the enterprise of a railroad around the world. Japan's bankers and Harriman's bankers were Kuhn, Loeb & Co., and Harriman had an inside track to the Japanese. By the Treaty of Portsmouth, Japan obtained the South Manchuria Railway. Harriman tried to get control of the railroad, which was to have been operated by a Japanese-American company under his control. The effort failed, but the Japanese people believed that American capital, supported by the United States Government, was trying to steal the fruits of victory from Japan. From that moment Japan blocked every American scheme of railway investment in Manchuria. Usually it was maintained that the American proposals infringed upon Japan's treaties with China either by paralleling the South Manchuria Railway or by voiding clauses in loan agreements. Japan managed to keep American capital out of Manchuria.

Since Harriman's ambitious project was launched almost immediately after the Japanese people had come to believe that the United States had prevented them from collecting an indemnity from Russia, a general anti-American sentiment arose. This was strengthened in 1906 by the San Francisco school incident. The Board of Education of San Francisco required Japanese children to attend an "Oriental" school, formerly used only by Chinese. This was a direct attack on Japan's assertion of equality. Although the measure was abandoned, it marked the beginning of anti-Japanese feeling on the Pacific Coast and it stimulated anti-Americanism in Japan.

To Californians and other Pacific Coast inhabitants the problem of extensive Japanese immigration is principally economic. Japanese and, even

more, Chinese farmers can produce crops so cheaply that American farmers cannot compete with them. Living costs of the Japanese during the first or second generation in the United States are based upon a subsistence level offensive to Americans. Californians do not choose to believe that in several generations the Japanese farmer will adopt the American standard of work and life, as did the sweat-shop immigrant in New York. Californians simply do not want the Japanese under any conditions.

As long as this issue was only between California and Japan, Japanese public opinion, although antagonistic, did not become virulently anti-American. A "gentleman's agreement" was entered upon for the voluntary limitation of immigration, and the statesmen of both countries sought a graceful solution. But gracefulness is impossible in quarrels involving racial antagonisms. The Japanese resented the implications of racial inferiority; Americans were excited by mass publicity and pressure to believe that sooner or later the Japanese would inhabit our Pacific Coast. This fear was expressed in the 1924 immigration act, which definitely reduced the Japanese under American law to the position of an inferior race.

No issue between Japan and the United States equals this one in importance. If under our immigration system large numbers of Japanese could enter the United States under a quota, then it might be possible for the Japanese Government to explain to its people that the 1924 immigration act was not discriminatory, but the fact that more Japanese can enter the United States now than would be possible under a quota similar to that prescribed for European immigrants, definitely limits the issue to race. Nothing that has occurred in

our relations with Japan has offended her people as much as this act of Congress; no barrier to friendship and peace between the two countries stands as high. So far as the Japanese are concerned, it is the sole issue over which some day a war may be fought.

Apart from the racial issue, numerous incidents since 1915 have strained relations between the two countries. In that year, when all the world was at war, Japan formulated the Twenty-one Demands which would have given her suzerainty over China. The United States was the only country to protest and effectively to neutralize most of the demands. Before the 1915 treaties were signed, William Jennings Bryan, as Secretary of State, enunciated a doctrine that has recently come to be known as the Stimson Doctrine voiding commitments between China and any other country that impair American rights under the treaties or China's administrative and territorial integrity or the Open Door policy.

To Americans the Twenty-one Demands symbolized Japanese determination to utilize any opportunity to extend influence over China; to the Japanese, American emphasis upon the rejection of the demands indicated that, no matter what the circumstances might be, the United States would block Japanese expansion. Since 1915 the American tendency has been to distrust both the words and the acts of the Japanese Government, while in Japan every effort at expansion has included a calculation of the effectiveness of American opposition and hostility.

It is true that subsequently this strain was somewhat relaxed by the Lansing-Ishii agreements, in which Japan's special interest in China was recognized by the United States. But between 1918 and 1921 the relations

between the United States and Japan developed such antagonisms that those of us who then lived in the Far East believed that war might break out at any moment. That war did not occur in 1921 was due in a very large measure to the brilliant diplomacy of Charles Evans Hughes, then Secretary of State.

The first years of the World War found Japan an ally of Great Britain, but an inactive ally. Not until the Russian revolution did Japan enter the struggle. Before that she had seized the German possessions in Shantung, holding them practically as Japanese territory, to the consternation of the Chinese and the general annoyance of British and American traders in China.

After the Bolsheviks had taken control in Petrograd and Moscow, Siberia lapsed into anarchy. The United States had agreed with the Kerensky government to operate the Transsiberian Railroad, the Americans so employed to be servants of Russia and to represent no American interest. But before this agreement could be put into effect Kerensky fled, and Siberia and its railroad were in the hands of numerous, conflicting factions. There can be no question of the sincerity of the Japanese fear of the Bolsheviks. An anti-monarchical, anti-capitalist revolution involved the possibilities of trouble in Japan, which is only a few hours from Vladivostok. But the methods employed by the Japanese were questionable and offensive to the United States.

In the first place, the Japanese army for months blocked the restoration of the Transsiberian Railway by the American Mission. The Japanese Foreign Office was often not as well-informed as to the activities of its military men as we were. It became difficult to accept assurances given

by the Japanese Foreign Office, for it seemed unbelievable at first that it was not consulted by the military men. When cooperation among the Allies was sorely needed, Japan seemed to be playing a lone hand and gave the impression of having as her object the seizure, and possibly the annexation, of Siberia east of Lake Baikal and possibly the whole of North Manchuria. Japan, moreover, supported obscure and often disreputable White Russian groups in Siberia and in an intrigue over the Chinese Eastern Railway stood by General Horvat, a Russian intriguer, against American policy.

The lengthy conversations between the United States and Japan over the two railways, the Transsiberian and the Chinese Eastern, were always polite and proper, but the feeling was keen in the United States that Japan was again taking advantage of even her own allies. The Japanese, on their side, could maintain, first, that they were instigated to adopt their Siberian policy by Great Britain and France and therefore were true to their allies; second, that American capital, at least so they believed, was seeking to utilize the railroad for the exploitation of the Siberian and Manchurian markets to Japanese detriment; and finally, that if they could gain advantages in Siberia at the expense of the Bolsheviks, why should the United States, which opposed Bolshevism, stand in the way?

In a word, the United States distrusted Japan; Japan feared the effects of American suspicion and antagonism. Both attitudes were stimulated by special interests in the two countries. The Americans in China, excluded from war participation by their geographical situation, undoubtedly talked too much, and the Japanese attributed to them an importance

they did not possess. In addition, the Japanese Army and Navy saw a chance to obtain increased appropriations and gain in prestige.

When Japan came to the peace conference, her position as the leading nation in Eastern Asia was socially recognized. But the Japanese suffered an ignominious defeat on what they regarded as the most important question of all—racial equality. When they sought to have that principle inserted in the peace treaty, it was rejected by President Wilson. The fact that he stood by Japan on the Shantung issue or that the United States withdrew its protest against her mandate over former German possessions in the South Seas did not and could not mitigate this slur upon the Japanese as a race. Probably few people in the United States remember this discussion, but every Japanese schoolboy knows that the United States blocked Japan's effort to have a declaration of racial equality inserted in the treaty.

In 1920 negotiations were begun that added to Japanese fears of American policy. The Sinclair Oil Company made an arrangement with the Far Eastern Republic, a Soviet-controlled buffer State, for the exploitation of the oil deposits in Northern Sakhalin. As the Sinclair Oil Company was known to be close to the Harding administration, the Japanese assumed that the arrangement had official sanction.

The island of Sakhalin, by the Treaty of Portsmouth, was held jointly by Russia and Japan, the latter taking the southern half. In 1920, as part of the Siberian expedition, the Japanese occupied the Russian half, but in the same year the Sinclair Oil Company began its negotiations. To the Japanese this could only mean that the United States was again

blocking Japanese expansion, this time in the interest of a country that the United States did not recognize. Since Japan is poor in oil deposits, while the United States possesses more oil than it requires for domestic consumption, the Japanese concluded that the American Government was using the Sinclair Oil Company politically to prevent Japan from gaining oil territory. The only objective of such an attitude on the part of the Americans, the Japanese felt, was to deprive Japan of a defensive commodity. It meant to them that the United States had warlike intentions.

Fortunately for the peace of the Pacific, the Sinclair Oil Company lost this concession, and when Russia again secured control of Northern Sakhalin, a concession was given to a Japanese oil group. Otherwise this might have become the signal to start a war.

Secretary Hughes in 1921 called the Washington Conference to end the tension between the United States and Japan. Japan came out of the conference only second best. The Anglo-Japanese Alliance was not renewed; Shantung was returned to China (indirectly, but nevertheless returned); the Nine Power Treaty, embodying the traditional American protection of China, was incorporated in international law; by the limitations of armaments treaties Japan accepted a place second to that of the United States and Great Britain.

The conference, nevertheless, did appease Japanese public opinion and did lessen the anti-Japanese feeling in the United States. Big navy men and the Pacific Coast were more concerned with the joys of the Harding and Coolidge prosperity than with using Japan as a propagandist symbol; Japan was busy with the restoration of Tokyo and Yokohama after

the great earthquake of 1923 and with the protection and development of her trade and position in China. For eight years, from 1922 to 1930, except for the 1924 immigration act, an era of good-will between the two countries was evident.

This was disrupted by the naval conferences of 1930 and 1934 and by the Manchurian incidents. In both connections the American attitude toward Japan was definitely hostile. In both connections there was constant revival of war talk in both countries. In regard to naval equality, the Japanese cannot understand why we object to parity if we do not expect a war; the United States does not understand why Japan should insist upon parity if she does not expect a war. In respect to Manchuria, the United States generally felt that Japan, as at the time of the Twenty-one Demands, the seizure of Shantung and the Siberian Expedition, could not be trusted. Japan, it was believed, would take advantage of every opportunity to expand to the detriment of anybody and everybody. Furthermore, no treaties or arrangements could be made binding on Japan; nor could Japanese official statements be relied upon, because one branch of the government might not know what the other was doing.

The Japanese, on the other hand, became convinced that hereafter, no matter what Japan did to grow and expand, the United States, with or without reason, would utilize every means to block Japan. The Japanese particularly resented the fact that, while the United States had declined to join the League of Nations or recognize Soviet Russia, American co-operation with the League and recognition of Soviet Russia became possible as part of the anti-Japanese policy. Henceforth, every act of the

United States in the Pacific was bound to be viewed as directly antagonistic to Japan.

Nothing in this survey makes for war. It does make for unpleasantness, distrust and fear. Geographically, war between the two countries is difficult. Politically, neither country wants war. Economically, such a war would destroy Japan. If the United States and Japan were isolated countries, such a war would never take place.

The fact is, however, that the two countries are not isolated. China looms everlastingly as a possible battlefield for Japan. Some day China may attempt to regain Manchuria by military force. Some day Japan, for one reason or another, may seek to extend her influence to China proper. Some day an incident may occur in the Philippines involving a Japanese landing party as we land marines in Haiti and Nicaragua. Some day Japan and Soviet Russia, now that their boundaries run together, may become embroiled. The complications in these situations are obvious and need not be considered in detail here, but the implication must be stated—that so long as America distrusts Japanese intentions and purposes, and the Japanese fear the effects of American policy and power, every Far Eastern situation involves the danger of misunderstanding and possible war.

Yet this fact also makes for peace. Japan realizes that in no war will the United States stand alone. Great Britain and the Netherlands cannot ignore the emergence of Japanese hegemony in Eastern Asia, and, in the event of a war between the United States and Japan, no power in London could prevent the British dominions from supporting the United States. Canadian, Australian and New

Zealand policy in the Pacific is tied to Washington rather than to London. The Netherlands would have to protect the Dutch East Indies, which can give Japan a vast oil and rubber supply, and Great Britain would have to protect the Malay States, which can give Japan a vast mineral supply. In the event of such a war Soviet Russia and China would bargain for advantages, and the United States would easily have more to offer, because, having no stake in Asia, she can afford to be generous.

The cards are stacked against Japan in such a combination. The Japanese know it and will maintain the peace until national dignity makes peace meaningless. But there can be no advantage in the mere frightening of a country like Japan, for, if driven to extremities by American unfriendliness and suspicion, the Japanese will choose to commit national suicide. They are quite capable of risking destruction for the sake of pride.

To end talk on the American side Japan should—and now that she has Manchukuo she can afford to—govern her international relations according to the rules of today and not those of the last century. It may be true, as the Japanese believe, that the United States has injected into international relations a morality that did not exist before Japan entered upon her imperialistic career. It may be true, as the Japanese insist, that she deserves commendation for her achievements during the past eighty years. But the direction of international relations is toward disarmament and peace, and Japan can afford to sacrifice pride for peace, now that she has achieved the great goal of her historical development, the acquisition of Manchuria.

The Crusading Mr. Nye

By E. FRANCIS BROWN

SINCE the day Gerald P. Nye entered the United States Senate he has been a thorn in the side of all conservatives, of all who are content with the established ways of economic and political life. He has been a crusader and, like that famous American crusader of the nineteenth century, he will not equivocate and he will be heard. From North Dakota he has brought a deep-seated distrust of Wall Street finance and of large-scale industry and a sincere and abiding affection for the little fellow. Yet he is less a radical than an old-fashioned liberal, for his point of view is agrarian rather than industrial. The difference can be significant.

Senator Nye has been called, not inaptly, the "Wat Tyler of the prairies." In the face of agricultural disaster and a growing concentration of wealth, he stands forth as the champion of the farmer, the small shopkeeper and the consumer. This has led him into strange byways where fearsome dragons lie in wait; yet in every instance he has emerged, if not triumphant, at least bigger in stature. While opponents have sought to suppress him and called him names—"North Dakota hound of heaven" and "thunderbolt of war" are among the more complimentary—he has gained national influence and distinction.

Until the Fall of 1925 Nye was almost unknown. Then, not quite 33 years old, he sprang fully armed from his North Dakota prairie into the Senate chamber at Washington and suddenly became a political issue.

When Edwin F. Ladd, North Dakota's liberal-minded Senator, died in the Summer of 1925 there were many aspirants for the vacant seat. Should his successor be appointed by the Governor or chosen at a special election? In Washington the following December that question was argued on constitutional grounds, but in North Dakota it involved practical politics. The Governor, Arthur G. Sorlie, wanted to be Senator; obviously he could not appoint himself and a special election entailed risks. So he delayed until the prospective candidates and their supporters forced him to act. Then, by a manoeuvre which has never been satisfactorily explained, he sprang a surprise by giving the office to a man who had not been regarded as even in the running. This was Gerald P. Nye, editor of the *Sentinel Courier* at Cooperstown.

Nye's astonishment could hardly have exceeded that of his fellow-North Dakotans. His career had certainly not prepared him for a Senatorship. Born in Hortonville, Wis., on Dec. 19, 1892, he had passed his boyhood in another Wisconsin village, Wittenberg, where he graduated from its high school. These formative years coincided with the period during which Robert M. La Follette was awakening the social conscience of Wisconsin. Through his direct influence social and political reforms were adopted with startling rapidity. Income and inheritance taxes, workmen's compensation, railway-rate regulation and conservation of natural resources were

only part of the "Wisconsin Idea" which was debated and discussed in every town and village of the State. Nye, an alert, wide-awake boy, could not escape the impact of the "Idea" nor fail to be aroused by the argument going on about him. That he was deeply influenced by this environment his later career abundantly testifies.

Before Nye was 20 he returned to Hortonville to take over a local newspaper. Thereafter, except for a few months on the *Des Moines Register*, he was continuously engaged in country journalism. By 1919 he had become editor and publisher of the Griggs County *Sentinel Courier* at Cooperstown, N. D.

Nye settled in North Dakota just as the Farmers Non-Partisan League approached its high noon. That organization of radical agrarianism dominated the State. At the legislative session of 1919 State supervision of the public grain elevators and flour mills and of the Bank of North Dakota was inaugurated. The league forced through a graduated income tax, and eight-hour day for women, workmen's compensation, State hail insurance and other liberal proposals. Though the league's program seemed radical, it was merely another phase of the farmers' prolonged struggle to escape the domination of great corporate interests. Radical though the farmer might be, he was after all a capitalist seeking only to protect himself against other and more powerful capitalists.

With his own rural background and his Wisconsin education, Nye responded naturally to Non-Partisan ideas. His editorials echoed them and he was also outspoken in his dislike of the Republican régime in Washington. Thus he wrote on one occasion: "This has been an age of buncombe, personified most materially since the advent of

Calvin Coolidge." Such words did not endear the editor of the *Sentinel Courier* to Republicans, but they pleased the Non-Partisans, who, despite reverses, still ruled North Dakota. And they attracted attention to young Mr. Nye, who in 1924, while supporting La Follette for the Presidency, lost an election for Congressman. But defeat meant little. There would be other campaigns and his appearance on the hustings had won him some prominence. Then came the surprise.

Twelve days before his thirty-third birthday the new Progressive-Republican Senator from North Dakota prepared to take the oath of office, but for more than a month he had to cool his heels while the Senate Committee on Privileges and Elections examined his credentials and the Senate debated his eligibility. Had the Governor of North Dakota the power to fill a Senatorial vacancy by appointment? That was an issue which might never have been raised if Nye had been a Republican in good standing. For days the Senators quibbled—Tom Heflin of Alabama called them "technical lawyers who would amend the Lord's Prayer"—until on Jan. 12, 1926, by a majority of only two votes, they allowed Nye to take his seat. The *Wichita Eagle*, recalling that the new Senator was a nephew of Bill Nye, the humorist, believed that he would need "the family trait in his present job." After the Congressional elections in the following November he was Senator in his own right.

In Nye, whose appearance at that time was distinguished chiefly for a high-water haircut and yellow shoes, American small-town life had a representative who would fight monopoly and privilege with indomitable courage and religious zeal. By nature and association he sympathized with the

plain, everyday people whom the rulers of America tended to forget. In his own State he had observed the far-reaching tentacles of modern finance. He had seen hard-working, honest neighbors ruined in 1920 and 1921 by the deflationary policy of the Federal Reserve; he could not forgive the bankers for that. Nor could he find much good in a tariff that bore harshly not only upon the wheat farmers of North Dakota but upon all American agriculture. Though the passing years have added to Nye's experience and knowledge, he remains loyal to the small town and its people. Their interests are still his interests. They can look up to him as a hometown boy who has made good.

Nye had little patience with Republican administrations. He laughingly suggested that the password for Cabinet meetings was "knub," which, he explained, was "bunk" spelled backward. He criticized the Coolidge-Mellon taxation policies and the lack of a farm policy. He attacked the war-debt settlements and insisted that in all fairness the farmers' debts should be scaled down, just as had been those of foreign debtors. Moreover, he declared in the Summer of 1926, the Coolidge administration was dominated by bankers and industrialists who did not want to see agriculture on "an even footing with protected industries." He had already given notice that he would "exert every effort for the relief of the farmer, who * * * is the only one who has not received what is coming to him since the war."

Once in the Senate Nye did exert every possible effort for farm relief. With his colleagues in the Progressive bloc—William E. Borah, Smith W. Brookhart, Lynn J. Frazier, George W. Norris and Robert M. La Follette Jr.—he agitated ceaselessly for a pro-

gram that would lift the burden from the farmers' shoulders. In the late Twenties this meant the McNary-Haugen bill with its various measures for disposing of surplus farm products. Administration hostility and Presidential vetoes could not quiet Progressive pleading.

Farm relief became a campaign issue in 1928. At the Republican convention in Kansas City Nye opposed Mr. Hoover's nomination because of his apparent disregard for the American farmers' plight. "This man Hoover," wrote Nye, "whom some are trying to drive down our throats, believes that agriculture is improving. If agriculture is improving, it is dying of improvement." Nye's candidate, significantly enough, was Senator Norris of Nebraska. But in the end, Nye, apparently convinced that Mr. Hoover might after all do something for the people of the prairies, swung over to his support.

The Federal Farm Board, which the Hoover administration sponsored, won Nye's vote and allegiance. Those were honeymoon days when, after a White House meeting, he could say: "I came away satisfied that the President would name a farm board that was farm-minded and one which would not have the point of view of the grain men and capital." He was to be sorely disillusioned and to feel ultimately that the Farm Board had been deliberately sabotaged. That feeling helped to change him into one of President Hoover's bitterest opponents.

After 1929 the farmers had companions in misery. The paradox of poverty in the midst of plenty was at last recognized, and Nye wondered about a system that permits "a third of the population, that third resident upon the farms of America," to go without the necessities of life and to be unable to pay their debts because

they have produced too much. Yet, at the same time, "another third of our population is in dire want of the very thing which those farmers have produced too much of."

Though the general depression made Nye more keenly conscious of the disadvantages of modern capitalism, they were not new to him. He had talked for years about "greedy capitalists." He had repeatedly challenged the strength of large-scale business and finance and he had indignantly pointed to the increasing concentration of capital which left the rich richer and the poor poorer. For his part, he had made it clear there could be no compromise with wealth. To iron out some of the inequalities, he supported all moves for higher inheritance and income taxes but, being always in opposition, he could do little.

He had acquired a hatred of monopoly capitalism from the elder La Follette. "Monopoly," Nye declared, "can lay scarce claim to creating anything. It reduces the number of persons employed and pays wages below a living scale. It is not creative of new business. It is the cancer that feeds upon the flesh of a living organism and threatens its life. Wherever it touches there is death, both to the town and individual enterprise. * * * When competition is destroyed the consumer and the producer suffer. * * * It must be admitted that a government is not worthy of the name unless it can protect its people against oppression and particularly oppression by the very creatures of which it is the creator."

No man with these views could be expected to show much affection for chain stores or branch banking, the two most obvious manifestations of monopoly in the Twenties. Both endangered the traditional small-scale enterprise which Nye favored, and so

in Senate debate and on public platform he lashed out against them. When he sought to strengthen the Federal Trade Commission he did so in order to "free the channels of commerce from destructive 'cut-throat competition' and thus permit the continued existence of thousands of honest and efficient business establishments constantly threatened by giant monopolies."

This feeling for the little man led to Nye's voting against the National Industrial Recovery Act in 1933. He suspected that the act was not all it appeared to be and within five months of its passage his worst fears were confirmed. "The Blue Eagle," he insisted time and again, "is a bird of prey on the masses." The codes of fair competition he described as "swindles upon consumers"; he could not forbear adding that "the fact that the consumer has been at the mercy of the monopolies is the great weakness of the recovery system." With Senator Borah he assailed the NRA and its administration, for the NRA, he saw clearly, fostered monopoly and placed insuperable obstacles before firms which lack strong financial reserves and which are often unable to "enjoy the fruits of fixing prices resulting from the suspension of the anti-trust laws."

Though Nye and Borah were responsible for the sensational Darrow investigation of the NRA, the result can have been little to their liking. The little man's grievances were aired and he earned public sympathy. But monopoly continued to crush out his life.

Nye's dislike for big business was reinforced by his discovery of its political influence. He had long known vaguely about this, but he had no definite proof until 1927, when as chairman of the Senate Committee on

Lands and Surveys he took part in the drawn-out drama of Teapot Dome. With Senator Thomas J. Walsh he washed before a curious public the dirty linen of the Continental Trading Company, a dummy corporation by which certain oil barons filled their own pockets at the expense of their stockholders. Indirectly the Continental entered the Teapot Dome scandal because through this dummy corporation had come the Liberty Loan bonds which enriched Secretary of the Interior Albert B. Fall. The Continental's profits were also used to buy still other bonds which found their way into various strange places, among them the treasury of the Republican party.

The steady succession of revelations about the Continental Trading Company kept Nye's name before the public. He began to be recognized as a crusader of the first rank. While politically this added prestige was worth a good deal to Nye, more important for him was the knowledge he was acquiring. Teapot Dome and the Continental Trading Company demonstrated to him "the frightful influence of money upon our political and economic life as a nation." The contributions from dubious sources to campaign funds distressed him greatly. "The great masses of people who are without great means," he declared, "can never hope to compete politically with influence which can pour unreasonable sums into partisan coffers."

Suspicion of the political influence of great wealth caused him in December, 1928, to oppose the confirmation of Roy O. West as Secretary of the Interior. West had been attorney for Samuel Insull and was too interested in the Insull properties to impress Nye as being desirable in a post which carried with it a place on the Federal

Power Commission. Though West's appointment was easily confirmed, later events made Senator Nye's opposition understandable.

In 1930 Nye found an opportunity to go even more directly into the relation of money to elections when, as chairman of a Senate committee to investigate campaign expenses, he traveled up and down the country. In Pennsylvania, for example, he found that the Republicans spent more than \$640,000 to elect their ticket, while Ruth Hanna McCormick spent \$325,000 in the Illinois primaries alone. This revelation helped to defeat her Senatorial ambitions. Where did these vast sums come from and why were they given to party treasuries? Those were the questions that Nye was always asking. From the investigation he drew the lesson that the primaries were the "playthings of machine politicians," "the source of more evils than the regular elections." He advocated then, as he had earlier, a stricter Federal law for the regulation of elections and campaign expenses.

The investigation of Mrs. McCormick's expenditures led to a bitter quarrel between her and the Senator. Alleging that his agents had tapped her telephone, invaded her office and pried into affairs that were none of their concern, Mrs. McCormick set detectives on his trail in the hope of uncovering something that might drive him from public life. One of the detectives said later that he was sent to Fargo to gather "biographical" information about Nye, and that he had caused him to be shadowed at Glacier Park. The episode hurt only Mrs. McCormick, for the detectives found nothing that could be used against Nye.

While his career as a Senator and as an investigator won for Nye the

respect, and in some instances the admiration, of many of his fellow-countrymen, it remained for his inquiry into the munitions industry in 1934 to make him a national figure. Though a believer in an adequate national defense, he has long been an enemy of militarism and imperialism, voting against all bills for naval expansion and opposing the protection of American foreign investments by armed forces. When, therefore, he offered on March 12, 1934, a resolution to investigate the munitions-makers' activities he was acting consistently.

Nye, there can be little doubt, is sincere in his attack upon the arms manufacturers. But he is also ambitious and he has known how to turn the investigation to his own advantage. There have been no hired prosecutors to steal the show; it has been all his. Nye, still handsomely boyish in appearance, a vigorous orator, poised and well groomed, has gone through the country telling uncomfortable truths about the munitions makers. To men and women who were hardly aware of his existence his name has become a household word. They have seen him on lecture platforms; they have heard his voice come through the ether, and they like him.

There are, however, those who find Senator Nye less attractive. To them he is a demagogue or a dangerous radical. Yet he is neither. His championship of the masses comes from the heart. Whenever he seeks their support it is done more in their interest than in his, and upon them is based the social philosophy which guides his thought and action.

He regards himself as a Progressive, but there are other Progressives who have done far more thinking upon a program for action than he has. After all, he is concerned less with the abstract than with the concrete;

he is emotional rather than intellectual. And there lies his limitation.

With the general basis of Nye's work few liberals will disagree. It is extremely simple and fits the tradition of American liberalism. Commenting in 1931 upon a report that 80,000,000 Americans had annual incomes of \$700 or less, he said: "Progressives believe that the first duty of government is concerned with the welfare of those 80,000,000 and of millions more who lack economic security." That is the first point in his creed. The second is the "determination that there shall be again in this land a government of the people, by the people and for the people." It is with the application of this creed that many will disagree.

Nye throughout his career has shown a hesitancy to go to the roots of the abuses he hates. Instead, like American liberals of an earlier time, he seeks to lop off the abuse, failing to see that unless the roots are destroyed a new and perhaps more virulent evil may spring up. Despite a generation of experience with government regulation of business practices, he does not admit that regulation has failed. He still supports, for example, the very anti-trust laws under which the monopolies he denounces have spread and flourished. For Nye there is a good and a bad capitalism. Though he does not stand alone in the belief that a beneficent capitalism can be realized, the teachings of history and experience lend little support to such a view.

In defending the little man, Nye is probably waging a losing battle. He is trying to turn back to the days of small-scale enterprise, whereas all signs of economic evolution point to the gradual extinction of the individual storekeeper or factory owner. Moreover, the rights of labor and the con-

sumer have seldom been observed more scrupulously by the individual than by the corporate proprietor. There have been exceptions in both cases, but it is indeed a question whether the masses as a whole are better off under one than under the other. Seemingly, any clipping of the claws of big business must entail greater consideration for labor as labor than Nye has yet given or recognized the need for giving.

Though Nye opposes the growing concentration of wealth, he scarcely indicates that he grasps its full implications. He still lives in the age that tilts against great monopolies, despite the advent of finance capitalism. Today economic power rests in the hands of the few who through devices introduced into corporate organization determine the destiny of great undertakings, even if actual ownership and nominal control belong to unorganized stockholders. This great change puts a new complexion on economic and social problems, but Nye seems unaware of what has occurred.

Nye tends to simplify social questions. He believes, for example, that if the munitions makers are properly controlled, either through regulation or nationalization, the danger of wars will fade. Thus he has stated that "the profits of war and the preparation for it constitute the most serious challenge to world peace. * * * The removal of the element of profit from war would materially remove the danger of more war." In public, at least, he shows no appreciation of the fact that whatever the arms industry is or is not, it can

be only one factor in the breeding of international conflict.

There is nothing in Nye's career to indicate a desire to destroy capitalism. His acts and utterances point to a belief that if corruption and evil-doing can be exposed they can be eliminated. Then all will be well. He is thus perhaps a real conservative in the sense that he wishes to retain the best, to heal only the ills of the system. On the other hand, his continuous attack upon the "octopus" of monopoly and his steady exposure of abuses serve to keep the public alive to the encroachment of the few upon the rights of the many. He leads people to consider the nature of the system under which they live. When viewed in this light he is far more the wrecker than the restorer.

Even if Nye's thinking appears more liberal than radical—and a little old-fashioned into the bargain—it is well to recall that even now he is only 42, and that he has come a long way in the past decade. Ten, twenty, maybe thirty years of public life stretch ahead of him. What will he be doing in that period? Will he develop greater constructive ideas? Will he, as have some of the Progressives already, analyze carefully the nature of American society and work out a definite program for its problems? Or will he champion and crusade alone? One thing is certain. Unless he develops a deeper social philosophy, unless he more fully comprehends changes in the body politic, he dooms himself to be only a critic, never a planner, and to remain until the end a member, not a leader, of the Progressives.

Latin America Grows Up

By CARLETON BEALS*

THE countries of Latin America, bubbling with economic, political and intellectual ferment, are on the brink of momentous changes. With the exception of Haiti, Venezuela and Colombia, every one of them has been shaken by armed upheaval in the last few years. Though the direct product of the world depression and the collapse of the golden loan period, differing little from the century-old military transfer of power, those disturbances have set in motion new social forces.

Long a colonial area, Latin America has never been aware of its own deeper cultural forces. Its social systems are mostly remnants of colonial feudalism, based upon racial and class exploitation by small cliques of white Creoles. Since the new industrial economy has for the most part been based not on national needs but on the interests of foreign capitalist powers, there has been no true independence. But today the old-style colonial exploitation of four centuries is coming to a close. In one form or another the old political and cultural forms are being smashed.

This is a direct reaction to foreign loans, investments and the introduction of capitalist methods. Wherever capitalism penetrates colonial feudal countries, revolution is precipitated by the ambitions of new classes and the conflicts of new interests. Dis-

cordant cultural tendencies arise. Rapid disruption of existing social relationships demands violent readjustment. Thus far such readjustment has been postponed—and thereby aggravated—by a paradoxical alliance of foreign capital with feudal classes and governments, buttressed until recently by foreign loans and the friendliness of diplomats. But disorder has been inevitably injected by foreign capitalist competition itself—bankers against traders, manufacturers and public utilities against loan collectors, nation against nation. Pan-Americanism and the Inter-American Society have sought to counteract European influences. Japanese trade envoys have stressed the dangers of "Yankee imperialism." Dispatches of subsidized European news services have systematically exaggerated American aggression and slandered American business methods.

This bitter economic and commercial war of the great powers has now driven the Latin-American countries to similar nationalistic expedients. These have increased native consciousness of self-important national independence, have fostered the belief that domestic reforms can be achieved without foreign opposition, have added fuel to more popular movements of revolutionary nationalism. Reaction to foreign industrial capitalism, economic depression, political instability and the inadequacy of existing governmental systems have raised the issues of communism and fascism. Sensitive to impending change, desperate for salvation, the

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Latin-American peoples have run after strange gods.

In Mexico, some years ago, a local political hack even organized a short-lived Ku Klux Klan. About the same time a Black Shirt movement was organized but withered away. More recently a Gold Shirt movement has flourished. Peru has a rachitic group of Black Shirts organized by a follower of the murdered Sánchez Cerro. In other countries fascism has acquired great organized strength. Chile is reported to have 50,000 armed men—uniformed, parading, pro-government Fascists. The Brazilian Green Shirts claim nearly 200,000 members and control of the teachers. In Argentina eight Fascist groups, armed and uniformed, are cheering for disaster. In various places Nazi groups have added to the confusion.

All the Latin-American countries have Third International Communist groups, mostly illegal and persecuted. To be a Communist in Mexico is to risk being sent without trial to the penal islands. Diego Rivera, the painter, is leading a forlorn Trotsky wing. In Cuba, since the fall of Machado, Communists have multiplied like guinea pigs; they control the strongest labor confederation. In Salvador the new machine-gun government of President Martínez massacred several thousand. In Costa Rica a Communist movement is taking shape. In Colombia Communist strikes in the foreign-owned tropical plantations have been bloodily suppressed. In Peru the Communists, with a strong foothold in the south around Arequipa and Cuzco, were the directing agents behind a recent railway strike. The Chilean movement, long identified abroad with Marmaduke Grove, is powerful. The Argentine Minister of the Interior reported on Aug. 12, 1934, that during 1933 more than 100,000 Communists

had been arrested. Strong Communist nuclei exist in Uruguay and Brazil.

Not all the new political organizations are direct copies of European parties. Definite home-brew revolutionary movements, excessively nationalistic and anti-imperialist, though influenced by world trends, are jousting in the arena. Among these are the 1917 Mexican revolution, continued by Carranza, Obregón and Calles; and, in Cuba, the Batista-Grau revolution and the ABC movement of Martínez Sáenz. In Nicaragua the Sandino revolt was a similar expression. Today the most vigorous is probably the Peruvian Apra movement.

All existing Latin-American governments, whether revolutionary, liberal or reactionary, have been adopting far-reaching measures of economic nationalism. Often, to conceal their own ineptitude, those governments have countenanced, even abetted, many nationalistic prejudices. Mexico has had periodic outbursts of anti-Semitic persecution; its treatment of Chinese has been unjustifiably ferocious. The Japanese have had trouble in Brazil. Cuba has harassed the Spaniards. Protective tariffs, legislation to protect native labor, managed currencies, special subsidies, tax favoritism, judicial partiality, control of capital export and strict immigration laws are but a few of the new devices for fighting foreign influence.

Superficially, the varied and colorful map of Latin America would seem to deny any such common trend. From the Fascist oligarchy of Mexico, with its Bolshevik slogans, to the Liberal pseudo-constitutionalism of Colombia; from the military tyrannies of Salvador, Guatemala and Santo Domingo and the personal despotism of Vicente Gómez in Venezuela to the traditional democracy of Costa

Rica are long jumps. The enlightened Uruguayan system has gone down before a military coup. Argentina—after the brutalities of Uriburu—and Brazil have edged back to more moderate systems. Mendieta in Cuba and Benavides in Peru are old-school politicians marking time in the face of a swelling tide of social unrest. Yet whatever the complexion of the different governments, all are being carried along on the ever more rapid current of extreme nationalism.

Anti-imperialistic nationalism in the face of world crisis strives toward independent economic regeneration, the increased utilization of home resources for the home populations, and emphasis on native cultural values. For the moment, native exploiters increasingly replace the foreign entrepreneur. The majority of the countries have strenuous programs for national recovery, more original, far more fundamental, than our own New Deal.

Native cultural pride is awakening. A recent Mexican Minister of Education even attempted to replace Santa Claus with the white Nahuatl god, Quetzalcoatl, the famous Plumed Serpent. In Mexico, Peru and to some extent Argentina, the painters have turned from vapid French models to native homely themes. Writers are seeking native material, are dealing with native problems. True, such efforts have been made before—there was the keen analysis of González Prada in Peru at the end of the last century, the remarkable social writing of Molina Enríquez in Mexico in 1909, the "America for Americans" slogan of the Argentinian Ugarte, the works of the Cuban Rodó, the brilliant insight of José Carlos Mariátegui. But now such voices in the wilderness have become part of a continental trend. This has had its reflection—especially in Mexico—in the further-

ing of education among the masses and a new interest in the resuscitation of Indian culture.

It is doubtful, except in isolated instances, whether impending changes will be brought about by either dogmatic Fascist or Communist groups. Both fascism and communism, symptomatic of industrialized nations, must be so modified in application that the original blue-prints scarcely serve the semi-tropical Western World.

The tendency in Latin America is not to safeguard the existing class structure but to destroy old classes and favor new ones. Except here and there, the problems are not of racial minorities but of racial majorities. Thus the setting and the needs are different. Social amalgamation and revolutionary tendencies have long been hindered by racial divisions, which becloud issues and divide forces. In general, race coincides with functional differences. Thus the feudalists and new bourgeoisie are mostly Creole; the middle class—bureaucrats, professionals and smaller traders—are of mixed blood; the new proletariat is Indian, Negro and mestizo; the peasants are largely Indian. Political parties on the European model cannot possibly penetrate this labyrinth of races and classes.

First of all, feudalism has retarded industrial development. Cuba and Puerto Rico, with great industrialized sugar and tobacco estates, are the only countries with an appreciable proletariat. Mexico has considerable mining, a textile industry and some industrialized estates; yet despite recent rapid expansion, the industrialized proletariat probably does not exceed 350,000 workers. There is a defined proletariat on the coast estates of Peru, Colombia and Venezuela, and in larger centres, such as Lima, San-

tiago, Buenos Aires and Montevideo. But a working class psychology is lacking; it could be aroused only artificially in the indigenous rural masses.

The middle class, also in embryo, is fighting not against being crushed, not against capitalist or proletariat, but against the feudal system. It is not menaced but is expanding, struggling for its place in the sun. Its first foothold was in the church; later it took over the government bureaucracy, politics and the army; now it is pushing into the professions and business. Quick to ally itself with foreign capital, some of its members have joined the new native capitalist group.

Yet the armies of Latin America, except perhaps those of Chile and Argentina, are feudal, not national. Their main purpose is to sustain an existing Creole clique. Usually better paid than peasants or workers, Latin-American armies, as yet largely unaffected by class divisions, have a mercenary loyalty; the armies are not the allies but the enemies of the new groups.

In the Americas there is an ascending culture, a budding nationalism, a thirsting for unity, rather than a disintegrating society. While the new ambitious groups—the proletariat and peasants, the middle class, the native capitalist class—are divided among themselves, they also have common enemies—feudalism and foreign capitalism. The Latin-American peoples, obstructed by the old-style military feudal State with its hierarchy of mass ignorance, fanaticism and bigoted ecclesiasticism, do not wish to destroy democracy and liberalism.

In Latin America the indigenous tradition, influential except in Argentina, Chile, Uruguay and Costa Rica, has always been communal. Despite landed feudalism, large areas of Mexi-

co, Colombia, Guatemala, Peru, Ecuador, Bolivia and other countries are still cultivated under the communal system. Individualist land distribution makes little appeal to the indigenous masses; land socialization does. Agrarian collectivism becomes a powerful weapon, as Mexico has proved, against feudalism without disturbing middle-class or bourgeois ambitions.

The Communists face a similar dilemma. Either they have been drawn into a purely theoretical battle between classes that scarcely exist or they have taken an intransigent, idealistic stand, attacking as Social-Fascist all liberalizing trends. Thus the Communists have become involuntary abettors of traditional feudalism and foreign capital or they have allied themselves with National Socialist tendencies to help the native middle class and capitalists fight feudalism and foreign control. The only mass support Communists can garner in Latin America is from traditional village communalism among indigenous elements. But most Latin-American Communist leaders, except in Mexico, are Creole intellectuals, who arouse suspicion among the natives because they are associated with white oppression in the past.

The Communists are also obstructed by the difficulty of creating an alliance of workers and peasants. Since there has been no real national unification, the city has been cut off socially and culturally from rural areas. The city has never been primarily a distributing and national cultural centre, but a focus of exploitation; it does not cooperate with the rural regions, but drains them of all their wealth, thus keeping the rural population in extreme ignorance and poverty. Mexico City, Lima, Caracas and Bogota are imperial cities levying tribute on backward regions,

much as capitalist economy has levied tribute on colonial countries.

As a result the concepts of the new Latin American proletariat are muddled. The proletarians of a city like Lima, for instance, are separatist. The urban worker, however much he may talk class solidarity, feels little kinship with the Indian serf of the interior. A petty aristocrat, in his own way, he owes his relatively high wages—however miserable they seem compared to American standards—in part to continued exploitation of the peasant masses. All these factors make the application of Communist dogmas impossible.

The third important alien influence, in addition to fascism and communism, has been democracy and self-determination of nations. For over a century Latin-American governments have hidden a brutal militarism under the sheepskin of republican democracy. Democracy is therefore still a live issue, something for which the Latin American peoples thirst mightily.

Thus there is being developed a curious compound of democracy, collectivism and nationalist force. From the standpoint of social liberation this is absurd; yet from the standpoint of class interests in colonial countries it is a feasible combination. Younger leaders have been quick to appreciate the possibilities.

Mexico, the first country to be shaken by these tendencies, has in turn had a tremendous influence on the rest of Latin America. The revolutionary doctrines of Mexico, its so-called anti-imperialism, its courage in battling the petroleum interests and clericalism, its interest in popular education, its land program, its awakening of the Indian masses, its cultural nationalism—all these things, though the gains have been for the

most part illusory, have lighted the way to a new freedom in other countries.

The Mexican conflagration began as a blind revolt against the thirty-year old tyranny of Porfirio Díaz, as reaction against brutal exploitation and widespread land enclosures. It was forced by inconsistencies created by too rapid industrialization and improved communications. Its final expression is to be found in the 1917 Constitution of Querétaro, which was mistakenly considered very socialistic.

Soldiers, proletarians, peasants and middle class helped to make the revolution, but whatever its popular achievements, its outstanding characteristic, which exaggerated nationalism has accentuated, has been the rise for the first time of a native capitalist group in control of the State. What were the weapons?

Democracy. A pseudo-democracy has curtailed feudal privileges, providing false hopes for the masses by giving the illusion of freedom from historic military despotism. It has permitted the government to direct mass force against the feudal lord, the ecclesiastic and the foreign capitalist.

Labor. The foreign capitalist, protected by powerful governments, had to be confronted by a militant labor and peasant movement. But once the diplomatic battle against foreign interests had been won, labor became a menace to the native industrial barons of the revolution and had to be smashed. All so-called revolutionary forces were reassembled in the official National Revolutionary Party (PNR), sustained by forced contributions from government employes and headed by wealthy politicians. State control of the labor movement—it is again slipping out of hand—makes it possible to use the workers against

foreign capital and against native producers outside the official party. Thus we have the strange phenomenon in Mexico of millionaire Socialists.

Collectivism. Still another weapon against large feudal landholding, native and foreign, has been the agrarian law promoting Indian collectivism. This broke the political hold of the old régime without greatly menacing the privileges of the new.

State Control. The new group has been obliged to maintain iron control of the State, to dominate the electorate and the labor movement and to prevent agrarian collectivism from injuring the landholding activities of the group. Such control has also made possible advantageous protective tariffs, tax exemptions, privileged rates on the State-owned railways and manipulation of the currency, and in other ways has protected the new bourgeoisie against foreign competition both in production and in marketing.

Other national independence movements soon appeared in Latin America. The Nicaraguan Sandino movement was largely a militant armed nationalism, but never set forth an intelligible economic program. In Cuba the Grau-Batista revolution, also a militant nationalist reaction, was undermined by Sumner Welles before it succeeded in formulating a body of principles. The ABC group did lay down a program of general economic rehabilitation, with slight collectivist implications, covertly anti-imperialistic and thoroughly nationalistic. But bad Creole leadership and schisms subordinated the ABC program to immediate political preferment.

The most conscious expression of revolutionary nationalism has been made by the American Revolutionary Popular Alliance—the Apra—a move-

ment international in scope but centered chiefly in Peru. This organization, an outgrowth of student and labor agitation, has captured by an opportunistic program the allegiance of other groups.

The Apra movement arose after the Bolshevik revolution in 1917, after Mussolini's coup in 1923 and after the Mexican upheaval. It has borrowed from them all. Taking the Kautsky position of the inevitability of capitalism, it used Marxism to prove that Marxian tactics are inapplicable to Peru, that the Apra is right and the Communists are wrong. It bases its program on the State as an economic entity—but without being seduced by the Fascist Corporate State, for Aprism also advocates democracy. Deeply nationalistic, it advocates anti-imperialism and fights the church and landed aristocracy. The anti-imperialist stick, however, since President Roosevelt ended armed interventions, does not beat the dog so well, and the leader of Aprism, the versatile and brilliant Haya de la Torre, has held out the olive branch to American and British capitalists and diplomatists.

Yet Aprism, with "Peru for the Peruvians" as a slogan, stands for economic nationalism. Hitherto every major enterprise in Peru has resulted from foreign initiative. The railroads have been built, not with any design of promoting the interests of Peru as a country or as an independent nation, but to extract mineral wealth and send it abroad. Peru utterly lacks a coordinated system of communications. It lacks all developments of resources other than those providing quick profits for foreign capital ministering to the needs of the great industrialized nations. Its governments have been feudal blood-sucking affairs, living off exploitation of a back-

ward people, landlordism, military privilege and foreign monopoly of guano and minerals.

Apra definitely advocates native capitalism with proper protection for the proletariat, thus avoiding past abuses in other countries, so that Peru may more rapidly develop a more satisfactory social system ministering to the needs of the people at large. Apra thus states consciously what the Mexican revolution developed unconsciously. It faces the same dilemmas. In fostering a native proletariat to drive out foreign capital it increases the difficulties of the group trying to supplant foreign capital.

Though Apra's two major enemies are foreign capital and native feudalism, it appeals to all classes attempting to emancipate themselves or to promote a new economic system whether capitalist or collective. The anti-imperialist slogans unite the proletariat, the peasants of the great coast estates, the middle-class, even part of the bourgeoisie. Now that the golden loans of the United States no longer buttress the benighted feudal

landlords, the new bourgeoisie are willing to cast off a non-effective feudal alliance which would doubly endanger them should more radical trends prevail. The Apra appeals further to the vast Indian population of the interior by promises of land-distribution, protection of the communal village and socialization of the big estates. Nationalism, hegemony of the State, democracy, economic reconstruction—doctrines all conceived and welded in unorthodox fashion—form its basic philosophy.

If the centre of the Apra movement is Peru, it has cells in every country. Under this or some other name—the ABC in Cuba or the PNR in Mexico—it rides the main stream of revolutionary nationalism that is destined to shape the course of Latin American history during the next decades. Undoubtedly the political forces now maturing in Latin America will bring as far-reaching developments as those of the independence movements of over a century ago, for colonialism, feudalism and foreign control are being ended. A new cycle of Latin American history has begun.

Profits Under the New Deal

By GEORGE SOULE*

BOTH friends and enemies of the New Deal were startled by the preliminary report of the Bureau of Internal Revenue on the income tax statistics of 1933. The new administration was going to bring about a more equal distribution of income; it was going to raise wages first and profits afterward. During the first year in which it held office the changes that occurred look like the exact contrary of the administration's expressed intentions.

Here is what happened in comparison with 1932: Those reporting net incomes of more than \$25,000 increased in number 1,053, or 4 per cent, and their aggregate incomes increased \$127,673,000, or 9 per cent; those reporting net incomes of less than \$25,000 decreased in number 101,350, or 3 per cent, and their aggregate incomes declined \$467,518,000, or nearly 5 per cent; the number of persons in the highest class, receiving \$1,000,000 or over, increased by 26—growing from 20 to 46 or more than double—while their aggregate incomes increased from \$35,239,556 to \$81,558,981. Net income of corporations increased by \$654,502,687, or 35 per cent, while reported income from wages and salaries decreased by \$567,565,000, or 7 per cent.

Is it fair to judge the New Deal by the results of 1933? Mr. Roosevelt,

after all, was not inaugurated until after the year had begun. January and February, 1933, represented the low point of the depression, and had probably reduced the incomes of all classes. When the new President took office in March a decided upswing began. His treatment of the banking crisis was felt almost immediately. This was soon supplemented by the psychological impulse of his expressed intention to increase prices; production temporarily boomed, particularly in the industries making goods for consumption. The peak of this activity was reached in June. The Agricultural Adjustment Act was passed in the Spring, but had little influence on farmers' incomes until Autumn. The National Industrial Recovery Act was passed in June; the Blue Eagle or blanket code was applied in midsummer; separate industrial codes were formulated and the majority of them had been adopted by Oct. 1, 1933. It is fair to concede, therefore, that measures affecting profits got a somewhat earlier start than those affecting wage-earners' and farmers' incomes. We shall have a better basis of judgment when the 1934 figures are available.

Before a final judgment is rendered, we must also take account of the fact that the income tax reports themselves are far from inclusive. The total persons reporting included only 3,339,602 out of approximately 48,000,000 who are normally engaged in gainful occupations. Because a single report is frequently returned for a man and

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wife both of whom have incomes, it cannot be said that we should be obliged to have 48,000,000 reports in order to cover all the receivers of income in the country. Yet a considerable majority do not report, most of them because their incomes are too small to come within the modest limit of taxable incomes.

What happened to these low incomes of the impecunious majority? The only light thrown upon that question by the Internal Revenue figures is that fewer incomes were reported in 1933 than in 1932. There were, in the later year, more persons in the non-taxable group. That does not look as if there had been a marked upsurge of income in the lower income strata. If there had been, we should expect that some of them would have risen into the category of taxpayers, whereas exactly the reverse happened. Nevertheless, it is theoretically possible that those who did not report had somewhat higher incomes on the average, without having high enough incomes to spill over into the reportable class.

Before we leave the 1933 income figures in an attempt to estimate what happened later, and what happened to the lower income groups, let us ask what caused the disparities in the reported incomes. It was not an increase in dividends. Despite the fact that larger corporate incomes were realized than in 1932, less was paid to stockholders; dividends on stocks in domestic corporations fell about \$360,000,000. If dividends had increased, it is probable that there would have been at least some growth in the incomes of those receiving less than \$25,000. Rents and royalties also showed a decline, as did interest on all but tax-exempt bonds. In other words, the customary sources of sustenance for those who enjoy moderate or "comfort-

able" incomes were nearly all reduced.

There was an increase in incomes from unincorporated business or partnerships (as would be expected along with the growth of corporate income), amounting to something like \$200,000,000. The largest jump came in profit from sale of real estate, stocks, bonds and so forth. On sales of property held more than two years, the increase of profit above 1932 was \$83,000,000. On the more speculative sales of property, held for a short period, the increase was \$308,000,000.

This throws a sharp light on the source of the gain among the higher income groups. The prospect of inflation brought a windfall to the big traders and speculators, as it always does. Little of this profit was probably realized in the real-estate market, which remained inactive. It was obtained largely in the financial markets, in the wheat pit, in foreign exchange. Here is evidence that a general price-raising program is of benefit first and foremost, not to those of low income, but to speculators. Indeed, the gain in corporate profits themselves was in a measure attributable to speculative buying of materials such as raw cotton rather than to increased production and sales. Here is our first detailed source of criticism of the President's policies: The expectation of inflation which he deliberately stimulated at the beginning led to a growth of speculative profits and of large incomes, without benefiting those lower in the scale.

Next let us examine the broad detail of the industrial incomes. The gain in them is an important part of the picture, even if smaller dividends were paid. It is important because such a gain may have meant that the first fruits of recovery were being channeled to profits rather than to wages or payments for farm mate-

rials. It is also important because certain large individual incomes, not dependent on dividends, could be directly affected thereby—salaries and bonuses paid to high corporation executives or ownership income from unincorporated concerns. Here the striking gain was in the net incomes of manufacturing concerns, which nearly doubled, rising from \$656,964,000 to \$1,210,676,000.

Net incomes of agricultural and related industries also nearly doubled, but these are a very small part of the total, and the figures for them, of course, do not cover the farmers themselves. Trade incomes showed a substantial increase—from \$218,916,000 to \$392,228,000. There was a very small increase in mining and quarrying. Construction, of all great industries the most heavily hit by the depression, registered a decline. So did transportation and other public utilities. So did finance, banking and the like, and so did hotels, amusements and other service industries.

What does all this indicate? Manufacturing and trade, where the great gains in profit were made, were the industries chiefly affected by the NRA. It has been a stock contention of conservative opponents of the administration's labor policy that it was preventing recovery by taking profit out of business. The wages and hours measures, so it was argued, were raising costs first of all, and thus activity would be discouraged. The time to increase payrolls and costs would be after revival, not before. These figures give eloquent testimony to the fact that in the industries chiefly affected, whatever happened to wages and hours did not decrease profits, at least in 1933. Either the administration was not successful in raising wages or the critics of this policy were crazy, for profits doubled.

It is pointed out by defenders of business that we need not be concerned with this doubling of profits, since even in 1933 the deficits of those corporations having deficits were still much larger than the net incomes of those corporations having net incomes. But this is beside the point. What interests us in this connection is the trend. The fact remains that manufacturing profits appear to be on the mend with extreme rapidity.

The failure of construction profits to increase at the same time indicates the continued low volume of building activity, which was actually smaller in 1934 than in 1933. While the administration cannot be blamed for the situation which brought about the construction slump, in two respects at least its policies failed to help this situation in 1933. Its public works program was so slow in getting started that it was hardly felt. Moreover, the power over prices given to manufacturers of building materials under the NRA maintained building costs at a level that did nothing to encourage private construction. It cannot be asserted, of course, that if costs had been low construction would have revived.

Transportation income also was injured as much as it was helped by governmental policy. Railroad materials and supplies were increased in cost, as were building materials. Rates, however, were not increased. The government is not to be blamed for a failure to increase rates, because they, like many industrial prices, had fallen so little during the depression as to be out of line; it is probable that increasing them would have discouraged traffic. Only two chief paths are open to an increase of railroad net income: First, a substantial enlargement of traffic; second, a reduction of fixed charges by capital reorganization. The

main failure of the New Deal so far, as we shall see, is the very small increase it has brought about in volume of production and trade, and this is reflected in small railroad traffic. And capital reorganization was not facilitated by the policy of extending government loans to avert railroad receiverships.

Now let us see what further light may be thrown on the questions raised by the income tax figures. If we supplement them with other statistics, we can learn more about the incomes of those who were too poor in any case to come within the reporting brackets, and the whole story can be carried along more nearly to the present.

The index of factory payrolls published by the Bureau of Labor Statistics stood, for the year 1933, at 49, as compared with 46 in 1932. This means that there was an increase of between 6 and 7 per cent in the money paid out to factory workers. No similar index exists for wage-earners in other occupations, but it is most unlikely that any larger payroll increase occurred in trade, while there was undoubtedly either a smaller growth, or possibly even a decline, in construction, transportation and mining. The index also shows that factory payrolls in 1933 were less than half as large as in the base period, 1923-25. Taking the year as a whole, therefore, there can be no question that no startling gain occurred in wage-earners' total income.

What do the payroll figures indicate with regard to the contention that manufacturing costs were raised by higher wages? The index of the physical volume of manufacturing production increased from 63 in 1932 to 75 in 1933, or about 19 per cent. Comparing this with the 6 to 7 per cent growth in payrolls, we see that output per dollar of wage payments actually was greater in 1933 than in

the previous year. Labor costs per unit of output seem to have been reduced, rather than the reverse.

Now we are better able to account for the doubling of net manufacturing income. It was partly due to the production of about 19 per cent more goods. But 19 per cent more goods, sold at the old margin of profit per unit, would have increased profits only 19 per cent. The margin of profit for the year was increased partly by lower labor costs, but still not enough to double profits. Doubtless overhead costs also were considerably reduced per unit of output by the increased activity. And, finally, selling prices were in many cases increased more than the price of raw materials. This was the combined result of the anticipation of inflation and the price-control devices of the NRA. No detailed figures exist to indicate exactly how the result occurred, but there can be little doubt that the principal early effect of the recovery measures was the gain in manufacturing profit.

How did the individual factory worker fare? The larger payrolls were distributed to a larger number of employees. The index of factory employment grew from 64 in 1932 to 69 in 1933, or something over 7 per cent. This was greater than the gain in payrolls. Therefore, the average money wage of the factory worker was not increased at all. Persons formerly unemployed had more money, but those who were formerly employed had slightly less. This fits perfectly the picture presented by the income tax statistics. Individual workers' incomes, on the average, showed no gain for the year.

Gross income of farmers was indeed somewhat larger in 1933 than in 1932. But net income—concerning which no accurate statistics exist—was probably little, if at all, greater. Net

income must of course be reckoned after interest and taxes are paid, supplies are bought and depreciation is deducted. The higher prices of crops probably resulted in the main in a partial clearing of past debts and in a better ability to meet current expenses, without having much effect on net income. Not many farmers make enough even in normal times to pay income taxes.

It may be objected that these figures which cover whole years mask the tendencies which began to be felt only in the latter part of 1933. Payrolls then were rising, and the growth of farm income had only begun. It is necessary to guess as well as we can what happened in 1934, in the absence of income tax statistics for that year.

The Federal Reserve Bank of New York compiles quarterly figures covering net profits of 500 large companies. While these are far less inclusive than the income tax statistics, they are not likely to run counter to the general trend. These companies showed profits of \$679,100,000 in the first half of 1934, as opposed to \$415,900,000 in the first half of 1933, an increase of over 63 per cent. The Federal Reserve Board estimates that profits for the first nine months of 1934 were 70 per cent larger than for the same period of 1933. When figures for the whole year are available, they are almost certain to show no less an increase for the twelve months.

It will be remembered that dividends paid in 1933 were smaller than in the year before. The compilation made by *The New York Times* of cash dividends (excluding banks and insurance companies) shows a reversal of this trend for 1934. In the first ten months of 1934, more cash dividends were paid than in the same

period of 1933. From these two partial indicators, we are justified in assuming that the growth of the larger incomes has continued, and has probably extended somewhat further down the scale.

Factory payrolls for the first nine months of 1934 stood at an index of 63, as compared with 49 for the year 1933. Thus the upward tendency in wage payments that began a year ago last Fall was registered in the figures for 1934. The gain was about 29 per cent. A striking percentage increase, to be sure, but one not comparable with the growth of profits since the bottom of the depression. It meant a considerable gain in the total purchasing power of labor, but a somewhat smaller one than the figure would indicate, because of a rise in the cost of living. Again we have to register the probability that nothing like this advance was felt outside manufacturing. Construction did not appreciably revive, and there was no marked increase in railroad employment and railroad wages.

These figures still tell us little about the fate of the incomes of individual wage-earners. Factory employment for the first nine months of 1934 stood at an average index figure of 79. This represented an increase of between 14 and 15 per cent over 1933. Average per capita wage incomes rose, therefore, in a smaller degree than the total payrolls. A good deal of the extra money was absorbed by the re-employment of those formerly out of work. It is improbable that the wage-earners gained enough individually so that any considerable number will have risen to the income-reporting category for 1934.

Factory production for the first nine months of 1934 was only a little over 5 per cent higher than in 1933. With payrolls 29 per cent greater, this

would indicate a considerable rise in labor costs per unit of product. But the simultaneous increase of profits, which appear to have grown more than factory production, would indicate that this rise in costs did not seriously cut into profit margins. The growth of profits can scarcely be attributed entirely to the small gain in output. But one explanation remains—a considerable rise in prices charged at the factory door.

Construction gained slightly, having for the first nine months of 1934 an index of 33 as opposed to 25 in 1933, but the level is still one-third of the average of 1923-25. The failure of construction to increase not only affects adversely the incomes of employes and workers in that great industry but undoubtedly holds down the growth of manufacturing production, where the most seriously depressed industries are those engaged in making building materials and other capital goods. Again we must register the judgment that the public works program is both too slow and insufficient in quantity greatly to affect the total, while the relatively high prices charged by the manufacturers of building materials help to retard revival of private construction activity.

Gross agricultural income is estimated by the Department of Agriculture to be about \$1,000,000,000 larger in 1934 than in 1933, a gain of 20 per cent. This was due partly to the crop restriction program, and partly to nature's restriction by means of the drought. What the increase in net income will be it is difficult at present to estimate, but it is of course restricted both by the payment of debts and by the increased cost of industrial materials that the farmers buy. Certainly it has not been large enough to stimulate greatly the purchase by

farmers, and so the production, of manufactured goods. The growth of net income on the part of individual farmers is not likely, even in 1934, to compare favorably with the growth in income of recipients of profits.

The chances are that when the income tax figures of 1934 become available, they will not tell a strikingly different story in regard to the distribution of income than those of 1933. Profits and large incomes will have continued their increase, but there will be little sign of growth in the lower brackets.

We have undoubtedly approached the limit of possible increases, either in total factory payrolls through enlarged employment, or in wages paid to the individual worker, without a substantial gain in production. And, of course, a gain in production is essential to supply the means of a higher standard of living for the nation. Neither increased profits nor higher wages will avail unless the goods to satisfy the demand for necessities and luxuries are actually made. In this essential basis of prosperity our progress has recently been slow. As recorded above, the gain of the first nine months in 1934 over 1933 was only 5 per cent. Indeed, every month since May, 1934, not only registered a decline from the previous month, but stood below the same month of 1933. We seem actually to have been losing ground.

Why this halt in recovery? Not apparently because of the increase in manufacturing costs, since profits have risen even more. This very increase in profits, combined with the measures by which it has been achieved, would seem to indicate the answer. Under the NRA industry after industry was given the power to restrict output and fix prices, directly or indirectly, for the benefit of prof-

its. As a result, prices of industrial products have been held too high to encourage a great enlargement in the volume of purchases by farmers, wage-earners, builders or others who may invest in capital goods. In these circumstances the extra money put into the hands of farmers and wage-earners by government policy does not and cannot do the work expected of it.

It is very necessary, if production is to increase, for construction and the heavy industries to be revived. Must we wait for this until the frozen real estate debts are liquidated and another construction boom arises from private speculation? Or shall we attempt to stimulate it by heavy government expenditures on such things as high quality but low cost housing?

At present there are still approximately 11,000,000 unemployed persons—more than one-quarter of those normally working for wages. Industrial production in September was less than three-quarters of the level of 1923-25. It was still further below 1929; the index last September was 72 as against 119 for the last prosperous year. During the Fall the high point of the index was probably not above 76. On account of rapid technical advance since the onset of depression, the average worker can now produce

about 15 per cent more per hour than in 1929. We shall not, therefore, have anything like full employment unless and until the index rises considerably above 119.

This is the problem before us; it will not be solved either by restricting output or by maintaining prices for industrial products so high that they restrict sales. The New Deal will be a miserable failure indeed if it continues to encourage measures which make possible the seeking of profit by reduction of the output of the means of life. Indeed, the total volume of profit cannot grow sufficiently by this means to pull out of the red that large number of business concerns which still confront the danger of bankruptcy. The aggregate deficits of those corporations having deficits were still, in 1933, about twice as large as the aggregate net incomes of those having net incomes. When industrial production fell, in the third quarter of 1933, profits also fell, according to the Federal Reserve Board, 30 per cent below the second quarter and 25 per cent below the same quarter of the previous year. Thus the conclusion is reinforced that without greatly enlarged real incomes on the part of the masses the proprietors of industry cannot prosper.

Italy's Colonial Empire

By ROBERT GALE WOOLBERT*

FIFTY years ago, on Feb. 5, 1885, Italy took her first decisive step toward the acquisition of a colonial empire. On that date she occupied Massowa, an Egyptian port on the African coast of the Red Sea. Until then Italian interests in the Red Sea had been confined to the desolate port of Assab, on the Strait of Bab-el-Mandeb, purchased in 1869 as a coaling station. But a colony based on Assab held out no prospects of development. Massowa, on the other hand, was the natural port for the trade of the northern Abyssinian plateau, and one of the outlets for the Eastern Sudan. Its occupation could have far-reaching consequences for both the colonizing nation and for Abyssinia, at that time under the rule of the Negus Johannes, and also vitally affect the critical situation in the Sudan.

Although Lord Cromer, the British agent in Egypt, denied that his country was responsible for Italy's occupation of Massowa, the documents tell another story. There were, in fact, several reasons why the British wanted the Italians there. The Egyptians were preparing to evacuate the port, and since the Gladstone Ministry opposed replacing them with British troops, the alternative was oc-

cupation by the Abyssinians, the French or the Italians. The Italians were the most desirable. There was, moreover, hope of relieving Khartum from Massowa, or at least of diverting some of the pressure exerted by the Mahdi, who was leading a revolt of the Sudanese tribesmen against Egyptian rule. As it turned out, Khartum fell eleven days before the Italians landed at Massowa.

Italy's motives in acceding to the British suggestion are less obvious. An articulate if not vehement agitation for colonial expansion had developed in Italy, especially after the French occupation of Tunis in 1881 and the British occupation of Egypt in 1882 (in which the Italian Government had refused a British invitation to participate). In the early Eighties there was taking place the "scramble for Africa," which culminated in the African Conference in Berlin in December, 1884. This conference made it clear that Africa was being pillaged from one end to the other, that even the supposedly anti-colonial Bismarck was now playing the game for all it was worth, and that any nation cherishing African ambitions must seize its last chance to fulfill them.

Although the Italian colonialists proposed to take Tripolitania and Cyrenaica from the Turks, the cautious government of Agostino Depretis did not take advantage of a propitious "diplomatic incident" involving the dignity of the Italian Consul at Tripoli to bring about annexation. Depretis feared, and rightly so, the

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Italy's African Colonies

effect on European opinion. But by the late Fall of 1884 he could no longer ignore the colonial agitation, much as he wanted to. To cap the climax, just as the Berlin conference was getting under way, news came that a party of Italians under Gustavo Bianchi had been massacred by the natives during their return from an official mission to Abyssinia. This was the third outrage of the kind within a few years. The assassins must be punished and Italian honor avenged! As soon as the question of national honor was raised, there could be no more hesitation. The government was therefore obliged to follow up the suggestion of Lord Granville, the British Foreign Minister, that Italy occupy Massowa, and in

January an Italian expeditionary force sailed from Naples.

Satisfied as the Italian colonialists were with the government's decision to make the plunge, they nevertheless severely criticized the choice of Massowa instead of Tripoli. From the outset the Red Sea adventure was opposed by important political groups in Italy. Crispi at first declared himself against it, though after he became Premier in 1887 he refused, on grounds of national honor, to consider withdrawal, despite the demands of the Socialists, Democrats and the "Little Italians" in general.

Eventually he became the most exalted imperialist of them all, and it was under his "forward policy" that the Italians began to occupy parts of

the Abyssinian plateau. Later that policy led to their crushing defeat at the hands of Menelik's mighty hosts near Adowa, on March 1, 1896, and thereby to Crispi's political downfall.

Crispi's scheme of colonial expansion had been too grandiose and too expensive. Italy needed her limited resources to pay for unifying the nation and to become equipped with the physical plant of a modern industrial State. Nor had the Italian people yet been educated to an appreciation of the necessity for pouring out lives and treasure to establish a protectorate over Abyssinia, when at home there were plenty of swamps, slums and excessively large estates crying for attention. Worst of all, an imperialist program had to contend with the world-wide depression of the Nineties, which was especially severe in Italy because of the tariff-war with France, her best customer. Circumstances certainly did not favor Crispi's efforts, and it was a great relief to the Italian people when his successors renounced his colonial policy. Peace was made with Abyssinia whereby Italy retained Eritrea, substantially within its present frontiers.

The Italians were meanwhile penetrating into what is now Italian Somaliland. As early as 1889 protectorates were set up over the Sultans of Obbia and of the Mijurtines. Crispi was instrumental in creating chartered companies to administer Benadir, then under the suzerainty of the Sultan of Zanzibar. But the chartered companies proved unsatisfactory, and in 1905 the government took over the direct administration of the colony.

During the fifteen years after 1896 the Italian people paid little attention to the colonies and concentrated on domestic affairs. Nevertheless, the

Foreign Office was unobtrusively obtaining the permission of the great powers to annex Tripolitania and Cyrenaica as soon as the opportunity should present itself. By 1909 all the powers had given their consent. The proper moment seemed to have arrived in September, 1911, before Europe had recovered from the Agadir crisis. Premier Giolitti, like Depretis in 1885, was anything but enthusiastic, but was forced by political considerations and the noisy agitation of the Nationalist party to declare war on Turkey on a quite insignificant though convenient pretext.

The Turks offered a far more obstinate resistance than had been anticipated, and might have been more successful if the outbreak of the Balkan War in 1912 had not forced them to come to terms. Turkey surrendered Tripolitania and Cyrenaica (together renamed by the Italians after the ancient Roman Libya), Rhodes and the group of islands known as the Dodecanese in the Aegean Sea. These islands hardly constitute a colony as the term is generally understood, and in fact are under the jurisdiction not of the Colonial but of the Foreign Ministry. Greek nationalist spirit is strong among the inhabitants, and there seems little doubt that the islands will one day be united to Greece.

In the interior of Libya the natives continued to oppose Italian arms. The gains made by Italy between 1912 and 1915 were largely wiped out during her participation in the World War, and effective occupation was reduced to the vicinity of Tripoli and a few other points along the coast.

After the war the successive liberal Ministries, though unwilling to evacuate Libya, refused to carry on military operations extensive enough to subjugate the tribes in the hinterland, above all the Senussi, who, from

the oases of Jarabub and Kufra, had for several decades virtually ruled the country. Turkish governors had openly admitted in Bengasi that orders from the head of the Senussi took precedence over those from the Sultan. To subdue these nomads would have required an immense amount of money and effort, for the expenditure of which the war-weary Italians had no stomach. Instead, peace was made with the natives, and a large measure of legislative and administrative autonomy was granted. But the arrangement having proved unworkable, Count Volpi, the Governor of Tripolitania, inaugurated early in 1922 (before the "March on Rome") a campaign of reconquest that by 1930 had "pacified" the entire colony.

The reduction of the Senussi strongholds in Cyrenaica was more difficult and was not completed without such drastic devices as the confinement of whole tribes in concentration camps along the coast and the construction of an unbroken line of barbed-wire entanglements for two hundred miles along the Egyptian frontier. Constructed at great expense across the Libyan desert under the pitiless African sun in the Summer of 1931, this remarkable barrier, truly Roman in its conception, kept the "rebels" from escaping or obtaining outside aid. Its erection demonstrated that the Fascist government meant to have done once and for all with armed opposition in Cyrenaica. By the end of 1931 pacification was practically complete.

Within the financial means at its disposal, the Fascist government has displayed the greatest energy in developing Libya, whose principal source of wealth is agriculture. But Libya lacks rainfall, and irrigation is impossible except from wells. Recently this shortcoming has been met by tapping

the artesian water supply. The original program of large-scale plantations operated as capitalist enterprises was abandoned in 1928 for a colonization policy that would put as many Italians as possible on the soil.

Minister of Colonies Federzoni declared in 1927 that, with proper means, there could be 300,000 Italians in Libya within twenty-five years. At present there are 50,000 out of a total population of 750,000. A recently created settlement bureau hopes within thirty years to have 50,000 Italians on the Cyrenaican Gebel, where small-scale farming, grazing and lumbering can be carried on under conditions very similar to those of Southern Italy. In Libya 130,000 acres have been irrigated and supplied with trees. By June 30, 1933, there had been set out 1,744,000 olive trees, 1,607,000 almond trees, 17,000,000 grape vines and 2,000,000 trees for general reforestation.

Eritrea, remainder of Crispi's megalomania, has hardly any geographical, economic or political purpose. Its mountainous portion is culturally and historically a part of Abyssinia, while its lowlands are inhabited by various tribes, largely Mohammedan. Repeated attempts to settle Italian colonists on the plateau have failed. Eritrea has never been an economic asset to Italy and probably never will be. Mining and forestry offer few possibilities; cereals have to be imported to feed the 500,000 inhabitants. Recent efforts to start large-scale coffee and cotton growing, while technically successful, have suffered because of the fall in world prices.

The chief advantage Eritrea possesses is its position as the commercial outlet for Northern Abyssinia and as an entrepôt for the trade of the Yemen, with which Italy's ties were strengthened by the treaty of Sept. 2,

1926. What effect Ibn Saud's recent victory over the Imam Yahia will have on the Arabian trade that passes through Massowa remains to be seen. As the port of Northern Abyssinia, Massowa is handicapped by the lack of good communications. The projected railroad is still far from the Abyssinian frontier and its early completion is not expected in view of the condition of Italy's finances. Much Abyssinian trade will consequently still seek its way out through the Sudan and the French-controlled railway from Addis Ababa to Jibuti, the capital of French Somaliland.

In an effort to divert some of this traffic, Italy made an agreement with Abyssinia in 1928 for a free port zone in Assab and the construction of a highway from Assab to Dessié, an Abyssinian market town at the foot of the plateau. Abyssinia has so far done little to carry out her part of the bargain. According to recent rumors, one of the concessions France will make Italy in the colonial field is a share in the Jibuti-Addis Ababa Railroad. Even if this is true, it will scarcely help the hinterland trade of either Assab or Massowa. In 1931 Eritrea's foreign trade amounted to only 293,000,000 lire. Of Abyssinia's foreign trade, 65 per cent is with Jibuti, 25 per cent with the Italian colonies and 10 per cent with the British colonies. It is thus easy to see why Eritrea has never prospered. Vast sums have been spent to acquire, defend and develop the colony without there being much to show for it.

If and when the Abyssinians evolve a spirit of aggressive nationalism, what is there to prevent them from demanding the restoration of Eritrea? At present they are not prepared to fight a first-class power; for socially and politically they are only emerging from the feudal age. The hold of

the central government over the outlying regions of Abyssinia, even when there is a strong monarch like Menelik or Hailé Selassié, is tenuous. Only in moments of grave national crisis, such as that preceding the battle of Adowa in 1896, can the emperor rely on fairly universal support from the local chieftains.

Yet even in her backward condition, Abyssinia could be a menace to Italy's East African colonies if given moral and material support by a European power, as was the case when France supported Menelik in the Nineties or when the Central Powers supported Lijj Yasu during the World War. The Italians realize that some day, sooner or later, Abyssinia is bound to try to seize not only the Eritrean plateau but a port on the Red Sea, thereby ending Abyssinian isolation.

Italian Somaliland, or Somalia, bids fair to become the most useful of Italy's colonies. Unlike Libya, it exports products that Italy herself cannot raise, such as bananas, cotton, sugar, kapok and cacao. The late Duke of the Abruzzi organized a company to exploit a concession on the Webi Shebeli, where a considerable tract, already cleared and irrigated, is now being cultivated, with sugar and cotton as the principal crops. Heavy machinery has been imported and the early stages of processing now take place in what fifteen years ago was an equatorial wilderness. This is a frankly capitalistic enterprise, directed as a unit by white technicians and worked by natives. Experiments in white settlement having failed, no colonization, as in Libya, is taking place. Italians furnish the directing personnel, but the manual labor comes from the natives. Here as elsewhere it has not been easy to impress upon the natives the virtues of laboring for the white man.

There are only a few miles of railway in Somalia, but under the Fascist régime the network of roads has been vastly extended and improved. The ports of Somalia are open roadsteads, difficult to approach during the monsoons. The harbor of Mogadishu, the capital, is now being enclosed with a breakwater. It is hoped that Somalian ports will eventually become outlets for the trade of Southern Abyssinia, but as this is the most barbarous part of that country, the volume of commerce will necessarily increase slowly. Indeed, this region has not yet been thoroughly explored or the international boundary definitely established, a fact that explains the ease with which border incidents occur there.

Crispi's imperialist policy was seriously hampered by the absence of a well organized colonialist propaganda and by the shortage of experienced colonial administrators. Since the World War both these problems have been given increasing attention, until today it can be said that the reading public in Italy is "colony-conscious" and that well-trained colonial officials are not lacking. The Italian (now Fascist) Colonial Institute, organized in 1906, gives courses in colonial history, economics, administration, languages and so forth. At the larger universities are offered courses in colonial subjects. In addition, there is an Oriental Institute at Naples, a Colonial Institute of Agriculture at Florence, as well as schools of tropical medicine and colonial botanical gardens elsewhere. In each of the ninety-three provinces of Italy there is a branch of the Fascist Colonial Institute, which serves as a centre for colonial propaganda. There are over a dozen periodicals devoted to colonial problems, some of them of recognized scientific standing. Numerous lectures, conferences, moving-picture exhibitions and

inexpensive group tours to the colonies are sponsored by the organizations.

These multifarious activities, in most cases subsidized by the government, have been aimed at preparing public opinion for a vigorous imperialist policy. The Italians have been made conscious of their undeniably substantial colonial achievements and have had their appetites whetted for a still greater empire.

When Grandi was Italy's Foreign Minister he once told the American Ambassador that, if he could come to terms with France in Europe, the African differences could be cleared up in short order. This, indeed, is the only rational policy for Italy. As long as Mussolini is so deeply involved in Central Europe it would be madness to embark on an adventurous policy in Africa, even if he could afford it financially, which he certainly cannot. Even if France and Great Britain gave him a free hand to go ahead, and lent him the money to do so, he would find Abyssinia just as mountainous and the national resistance just as determined as in 1896. Victory could be purchased only for a price out of all proportion to its value.

Italy, not without justice, believes that her allies failed to fulfill the spirit of the Treaty of London (1915), under which she was to be compensated in case France and Great Britain annexed the German colonies. The fact that those colonies were acquired not as outright possessions but as mandates does not, she feels, void the bargain. At Versailles Italy was given no mandate. Perhaps if Sonnino had not been so exigent in the Adriatic he might have been more successful in Africa.

Thus far Italy has received as compensation only slight "rectifications" of the Libyan frontiers (from France, Great Britain and Egypt) and Juba-

land (from Great Britain). Further French territorial concessions were reported as part of the new pact signed between France and Italy on Jan. 7, but at this writing the terms of the agreement had not been published.

There has been talk of transferring the troublesome Syrian mandate from France to Italy, but these rumors are always denied. Rather than Syria, Italy would like the mandate over the Cameroons, an African region that could supply her with many products she must now buy abroad. Only as a last resort would France surrender either the Cameroons or a corridor from Libya to Lake Chad that would separate her West African from her equatorial possessions.

In East Africa the rivalry of the great powers is complicated by Abyssinia's native imperialism. Less than half the Abyssinian population consists of the Christians who speak an Amharic language and have for centuries constituted the Abyssinian nation. The rest of the empire is composed of numerous tribes, largely Mohammedan, such as the Danakils,

Somali and Gallas. Except along the frontier of Abyssinia and Eritrea, the Abyssinian plateau is cut off from direct contact with European possessions by buffer-peoples over whom Abyssinia has no more rights based on the principle of national self-determination than has any other power. These subject peoples have accepted Abyssinian rule because they were obliged to by the Abyssinian Army or because they preferred the lax rule of Addis Ababa to European exploitation.

Abyssinia's cue is obviously to play off the powers against each other, and among those powers must be included Japan, now energetically invading East African markets. For the last forty years Abyssinia's main reliance has been France. But this is not necessarily permanent, for France's place might be taken by another power. Or, still worse for Abyssinia, she might be forsaken by all the powers. Her only protection then would be the League of Nations. We are likely to discover in the next few months how heroically the League will defend Abyssinia.

Red Failure in Nationalist China

By WILBUR BURTON*

COMMUNISM in China, now fast failing, even if that does not mean its immediate elimination, has had a peculiarly tragi-comic history.

The first stage, 1925-27, was marked by the cooperation of the Soviet Union with the Chinese Nationalists (Kuomintang). This provided the chief impetus for the rise of the present Nanking government, which promptly broke off relations with Moscow, outlawed all Communists and their supporters and instituted a régime of more ruthless reaction than any China had ever known.

In the second stage, 1927-31, the Communists were kept in check, if not completely suppressed, in the large cities, but they made such great strides in the rural districts that they were able on Nov. 7, 1931, to set up the "Soviet Republic of China" in Kiangsi and parts of adjoining provinces. During this period the whole Yangtse valley from Shanghai to Hankow would probably have gone Red but for foreign control of the key cities and the river.

In the third stage, beginning in 1932 and not yet completed, the strength of the Chinese Communists has waned steadily. As this is written, their capital, Juikin, Kiangsi, is in imminent danger of being captured by the forces of the Nanking Government, and the area of their control has been reduced to probably not more than 100 square miles.

No area of the inhabited earth has

ever been so little known as that of the Chinese "Soviet Republic" as it is today or as it was at its height. Except for a few Russian Bolshevik agents no foreigners have visited the capital, and those who have been unfortunate enough to come into contact with the Chinese Reds have been kidnapped. Even first-hand reports by Chinese Communists are rare, since hardly more than a nominal connection now seems to exist between Juikin and the underground Communist party in Shanghai. All current literature on Soviet China is based on second-hand information. For these reasons one should be skeptical about statements that the "Soviet Republic" includes from one-sixth to one-fourth of China in area and population or that China has a Soviet State of 80,000,000 inhabitants that is successfully functioning according to Marxian principles.

The "Soviet Republic" at one time embraced an area of several hundred square miles with a population of perhaps 50,000,000. It included much of Kiangsi and part of Fukien. Although self-supporting in food, it never had any appreciable industry, no heavy artillery, few machine guns, and only five airplanes, none of which has recently been used through lack of oil and spare parts. There is an arsenal at Juikin, but according to General Kung Woo-chung, former chief of the Red Fourth Route Army, who surrendered to the Nanking forces, absence of raw materials has made it useless.

Meanwhile, the Nanking govern-

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ment has concentrated about 200 airplanes and an army of between 1,000,000 and 2,000,000 men, better equipped than any other previous Chinese army, in the area around the "Soviet Republic." The size of that army may sound impressive, but Nanking's soldiers cannot always be trusted. Until 1932 the Red armies were armed and recruited chiefly through the defeat or desertion of Chiang Kai-shek's forces. But the aviators, some 300 of whom have been trained during the past two years by American instructors in Hangchow, are drawn from the bourgeoisie and their loyalty to Nanking is unquestioned in so far as crushing the Reds is concerned. Since the advent of large numbers of airplanes on Nanking's side the anti-Red war has been a contest between poorly equipped peasant soldiers and a rain of bombs from the sky. At the same time, foreign policing of all the key cities of the country has eliminated Red elements among the proletariat and prevented the Red armies from capturing the cities.

The early history of communism in China is well enough known not to require more than brief mention. Before the Bolsheviks were even firmly established in Russia they were making overtures to China on an anti-imperialist basis. This resulted in 1923 in a pact between the Soviet Union and Sun Yat-sen for cooperation to bring about Chinese national unity, but without communism, which was recognized as not immediately practicable.

World conditions appeared to favor China's bid for national independence. The World War had broken the united



Centres of Chinese Communism

front of the powers. Great Britain, the chief imperialist nation against which the Soviet-Kuomintang alliance was to aim, was troubled by labor unrest at home and disaffection in India. Neither French nor American interests were important enough to justify intervention. In Japan there was profound discontent and, besides, that country was not likely to aid Great Britain since the Anglo-Japanese alliance had been ended. Japan was quite content to see Chinese nationalism play havoc with Western interests and thus clear the way for her.

From the standpoint of communism at the time the stage was almost ideally set. If imperialism is the last stage of capitalism, as Lenin said, and if China could achieve national independence, the capitalist front everywhere would perhaps be mortally weakened, all Asia would probably follow China's example and revolution in many major Western countries would ensue.

But practical weaknesses within China quickly developed. First, the peasants in the Canton area sought

land redistribution, and were put off with a decree of a 25 per cent rent reduction, which the landlords ignored. Later, the workers in Shanghai went on strike against conditions in Chinese factories. When the peasants found that not even rent-reduction decrees were enforced they started killing the landlords, at first in Hunan in 1927. When the Chinese bourgeoisie of Shanghai found that the Nationalist movement they had been supporting meant labor troubles in their own factories they became increasingly anxious to oust the Red trouble-makers. Meanwhile, the Communist-led Nationalist forces had advanced to Hankow, seized the British concession there, and threatened to end all special foreign interests in China.

Early in 1927 these conditions led to an accord between the foreign powers and the Shanghai bourgeoisie. Chiang Kai-shek, leader of the Nationalist armies, on reaching Shanghai in March, 1927, after the city had been taken over by armed workers, split with the Communists and established a new government in Nanking, which subsequently triumphed over both the pro-Communist régime in Hankow and the old feudal régime of Chang Tso-lin in Peking. At the same time the Chinese were granted equal treatment in Shanghai parks and given representation on the municipal council of the International Settlement, the foreign powers agreed to Chinese customs autonomy, and Western imperialism was somewhat curbed in favor of Chinese business. Further, the Chinese seizure of the British concessions in Hankow and Kiukiang was legally confirmed by agreement.

At the same time, also, the Kuomintang was "purged" of all Red and pro-Red elements, relations with Moscow were broken off and Chinese Communists were driven underground or

slaughtered by the thousand. Those fighting the Communists were men who knew them as former comrades, and they had direct and efficient foreign aid. Every key city of China was either governed by foreigners in large part or was within range of foreign gunboats. However nationalist the Chinese bourgeoisie might be, they would not—least of all by Marxian logic—allow patriotic scruples to handicap class interests.

Thus the Communists had not only to fight the Nanking government but also all the foreign powers as represented by the Shanghai Settlement (where a large number of soldiers and marines are always stationed), the concessions in the other principal cities and the warships that are constantly in all Chinese harbors and patrol the Yangtse and other waterways. Since the Communists were opposed to foreign interests as much as to the native bourgeoisie, the Imperialist-Kuomintang alliance had a firm basis.

The first attempt by the Communists to regain their position was made in Canton on Dec. 11, 1927. Taking advantage of the absence of troops, who were engaged in civil warfare, a group containing at least a few Russian Red agents staged a coup. The result was a short-lived commune. Within three days the "White" armies were again in control and fully 5,000 Reds and suspected Reds were slaughtered in the streets. Here no direct foreign assistance was given because none was needed, though the foreign gunboats used their radios to mobilize the Chinese "White" troops.

The next attempt was on July 27, 1930, when Changsha, Hunan, was captured by Ho Lung's Red Army. Here the Reds were bombarded by British, American, Japanese and Italian gunboats and forced to retreat after five

days. Imperialist-Kuomintang harmony in this emergency was thus summed up by the *China Weekly Review* on Sept. 6: "In this instance the foreign gunboats were on the side of the Chinese Government in helping to re-establish order, something which the Chinese Government manifestly was unable to do; hence there has been no outcry on the part of the Chinese authorities at this most recent activity of foreign gunboats in China."

Since the bulk of rural China is beyond the range of foreign guns it was, during the 1927-1931 period, in a chaotic condition because of civil wars. This gave the Communists a chance to establish a base, particularly in the southern areas where land hunger was most intense. How well they seized the opportunity is shown in a report made to the Nanking government in July, 1931, by Yang Chien, assistant director of the National Research Institute, who was murdered by gangsters in Shanghai in 1933 for participation in the China League for Civil Rights:

"In 1930, out of 81 counties in Kiangsi, 76 were wholly or partly Sovietized; 50 out of 69 counties in Hupeh Sovietized; 15 counties in Southern Hunan Sovietized, and Anhwei, Szechwan, Fukien, Chekiang, Honan and Shantung affected. * * * In Kiangsi the agrarian revolution has included confiscation of all public lands and temple lands and land owned by the squires and landlords. Deeds and leases were burned and landmarks removed. The land is redistributed regardless of sex. As in Russia, in the beginning the agrarian revolution has created new vested interests which fight fiercely to support communism. * * * The Red Army is divided into fourteen armies totaling 70,000 men." Later it increased to 300,000.

Able to resist all attacks by Nan-

king during the 1927-31 period, the Reds on Nov. 7, 1931, indulged in their most grandiose adventure by formally proclaiming the "Soviet Republic of China" at Juikin, Kiangsi. The area was entirely without modern industry or even an adequate basis for industry. It had no outlet on land or sea, and to obtain such an outlet would have required forces large enough to defeat not only the anti-Red armies of Nanking, Canton or the Fukien area, but also the foreign forces which were mobilized whenever the Reds neared a Yangtse or coastal port. But the native forces have always proved capable of handling every emergency since the Changsha episode, though the mere presence of foreign gunboats has no doubt had its effect on the Red morale.

Since there were no industries in the Red areas the only important economic measure that could be instituted was land redistribution. That is not communism but merely the replacement of one class of land owners by another. Communism, according to its proponents, requires proletarian, not peasant, leadership, and this has throughout been entirely lacking in the "Soviet Republic of China." Moreover, the rural Reds, in kidnapping foreigners and holding them for ransom, behaved as bandits rather than as Communists.

Presumably, however, the Communists regarded the rural adventure as transitory, to be followed by urban uprisings in support of the Red army. If so, they were more romantic than realistic. No party could possibly survive intact the merciless oppression to which the Communists have been subjected in such a place as Shanghai, the chief industrial centre of China, where they were naturally most numerous and powerful. They have been hounded day and night by both for-

eign and native police and ferreted out by former comrades who have become police spies. The leaders, when captured, have faced execution (perhaps by torture) if they did not voluntarily recant. Further, the Nanking government has been able to obtain control over all labor unions, largely by tactics learned when its outstanding members were allies of the Communists. Meanwhile, foreign soldiers, sailors, marines and police have stood ready to protect the key cities against any error or inefficiency on the part of the native guardians of the bourgeoisie.

Today there is hardly any contact between the Chinese Red armies and the surviving urban Communists, from whom it is certain the Red military leaders would not take orders. Nor is it likely that the Red armies are receiving any real aid from Moscow. Disaster crowned the last known attempt to give such aid through the Noulens couple, who were arrested in Shanghai in 1931 and are now serving life terms in a Chinese prison.

Although successful in curbing, if not in entirely suppressing urban communism, Nanking was not able until 1932 to reduce the extent of the rural Red areas. In that year the threat to Hankow was removed, both banks of the Yangtse as far as Ichang were cleared of Red forces, and also most of Anhwei (which in the previous year had become largely Red) was reclaimed. Indirect foreign assistance aided largely in this achievement owing to the part played by foreign gunboats in patrolling the Yangtse and keeping it open to navigation. During 1932 Nanking also succeeded in destroying the long-standing Red challenge to vital communications such as the Peiping-Hankow, Hankow-Changsha and Kiukiang-Nanchang railways.

Early in 1932 Chiang Kai-shek began to create an air force. Today he has 300 or more airplanes with fully one-third efficiently equipped for bombing operations, and new machines are constantly being purchased and additional aviators being trained. By aerial bombing and infantry advances large areas have in the last year been completely recovered from the Reds, and the infantry advances have been consolidated by the erection of great chains of blockhouses manned by trusted soldiery.

Success in the anti-Red warfare has for the most part coincided with the Japanese conquest of Manchuria, Jehol, part of North China and Shanghai. When the Japanese began to move forward Nanking made it clear that this development would not be allowed to interfere with the anti-Red campaign, and patriotic appeals were issued to all anti-Nanking factions except the Communists to sink their differences for the sake of a united nationalist front. Chinese big business more or less openly admitted that it regarded "the Reds as a greater menace to China than the Japanese."

Not only was resistance to Japan neglected in order to carry on the anti-Red war, but many of the airplanes which have recently been effective against the Reds were bought with funds raised by popular subscription under the pretense of building up an air force to oppose the Japanese. This money-raising campaign was Nanking's last formal anti-Japanese act. When it was concluded the Tangku truce was signed (on May 31, 1933) by which the Chinese Government pledged itself not to take any further steps against Japan. The first use of the new airplanes was to destroy the famous Nineteenth Route Army which had made a truce with the Reds in order to fight Nanking.

Since then the airplanes have been employed against the Reds themselves while Japan continues in various ways to strengthen its hold on China.

Various Red armies still exist in seven provinces—Kiangsi, Fukien, Kwangtung, Hunan, Hupeh, Kweichow and Szechwan—but only in Kiangsi and Fukien and in Kweichow and Szechwan do they any longer display any real fighting ability, and those in Kiangsi and Fukien (where the "Soviet Republic" is located) are being rapidly driven into Kweichow and Szechwan.

For many years the Reds have been, paradoxically, the only unifying force in China, for opposition to them has been the only connecting link between the foreign imperialists (including the Japanese) and the native bourgeoisie and rural gentry. The complete wiping out of the Reds might thus lead to new conflicts. Chinese bourgeois nationalists, such as are best represented by the Canton faction, are strongly opposed to Japan. Both the anti-Nanking and the Japanese forces might seek to diminish Nanking's military power since it is no longer needed for anti-Red warfare. And there is always the possibility that some of the defeated Red armies might discard their Communist ideas to form an alliance with anti-Nanking forces in the interests of self-preservation.

Chiang Kai-shek must therefore move warily. His air force today is probably strong enough to end all or-

ganized Red opposition. That would mean the reduction of surviving Red forces to guerrillas, but from his standpoint haste would be dangerous. So far the anti-Red warfare has enabled him to build up the largest and most efficient military machine in Chinese history. Airplanes alone are not very effective against guerrillas, and successful policing of recovered Red areas depends on loyal land forces, blockhouses and roads, which need time to be developed. It is therefore interesting to note that the Reds are now being allowed to retreat almost unscathed into Kweichow and Szechwan. Airplanes could wreak great havoc among them in those provinces, but Chiang Kai-shek is not now prepared to extend his policing thus far, especially as Red bases in either remote Kweichow or Szechwan cannot directly threaten the Yangtse Valley.

The failure of communism in China is due to special circumstances adverse to its success rather than to any inherent inapplicability of Marxism to the purely native milieu. Both the peasantry and the proletariat have shown themselves eager for Red leadership whenever the opportunity has arisen. The one constant anti-Red factor has been imperialism; but for foreign policing, urban communism could not have been reduced to impotence nor could the rural Red armies have been prevented from establishing a port that would probably have enabled them to develop a genuinely powerful State.

Social Insurance Is Not Enough

By BROADUS MITCHELL*

WE are entering the sixth year of the depression. This means that we have already stood almost as much business funk as America has ever yet been called upon to endure in a single stretch. Usually our bad times have been briefer.

In these five years public hopes have alternately been buoyed up and disappointed. We have been distracted from the immediate effect of our troubles by the announcement of novel projects calling for united loyalty. Trust in reform has diverted us from the inadequacy of emergency measures of rescue. Nostrums, some idealistic and others dictated by class interest, have been offered on all sides, and the confusion of voices has delayed concerted thinking. Undoubted improvement, mainly through Federal expenditure, has been marked by conspicuous gains here and there, only to be matched by dismaying setbacks elsewhere and by some appalling positive losses.

The American people have learned that both rescue and remedy require patience. They know that neither ex-President Hoover's wishful thinking nor President Roosevelt's more purposeful action can turn the trick in a trice.

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The upshot is that social security becomes the sober, insistent demand of more and more people. This was evident in the outburst of query and rebuttal that greeted President Roosevelt's speech to the Security Conference on Nov. 14, in which he reduced former promises to a single proposal, for the present, of unemployment insurance. Forthwith Secretary Perkins and Relief Administrator Hopkins rushed in to explain that the President did not mean to dash hopes he had raised, and he himself soon followed with his own disclaimers.

The mere length of the depression is responsible for the cry for social security. For this there are perhaps three particular causes. Without trying to give them in the order of importance, the first is the extent to which those of the lower middle class, small business and professional people and clerical workers have been involved. Where they have been able to avoid applying for public relief, direct or indirect, their private resources have been gradually exhausted, and family assistance has been resorted to. The members of this group are more articulate than are the manual workers, and they are moved by inability to educate their children and to discover a livelihood for them.

A second cause is the mass of the unemployed and the staggering burden of their maintenance. We pushed this problem into the background of our thoughts as long as we could. President Hoover at first denied that there was any serious unemployment problem, then appealed to local pri-

vate charity to care for the victims. Municipalities and counties had to take over the task, and came to the end of their resources. States were on the way to scraping the bottom of their tills when President Roosevelt came in with a prompt supply of Federal funds.

At first it was believed that this support would prove sufficient. When public works dragged, the CWA was launched, and the official hope was that when CWA was demobilized workers would find places in private industries. This illusion quickly vanished. Washington again shouldered the burden and at the same time warned the States that they must soon be prepared to bear about half the expense.

This ultimatum brings the question home to local taxation, and many devices are passed in nervous review. With the recent announcement of William Green, president of the American Federation of Labor, that, despite all efforts, we have 500,000 more people without jobs than a year ago, a large and more or less permanently unemployed body of men and women looms ahead. Unemployed manual workers begin to abandon hunger marches for the urging of constructive proposals. How long can we go on, everybody asks, with five people required to support a sixth?

A third cause contributing to the demand for social security is the paradox of pauperism in the midst of abundance. We at first spoke of this as something strange in economics. The attempt to get rid of it by abolishing not the poverty but the abundance shocked us. Artificial scarcity, through the limitations in the industrial codes and the restrictions of the AAA upon farm output, seemed at first a desperate remedy, and now impresses itself as a moral enormity. The drought

looked to some like a remonstrance of heaven, and impending visits of the taxgatherer did not dispel the thought. Increasingly the notion dawned on us that where 16,000,000 or 20,000,000 people are in a state of semi-starvation pork is more important than profits. What this suspicion implies reaches wide and deep, but it is not being followed out by the American mind at present.

So far it seems enough to provide for social security by means of social insurance. It has taken us a long time to accept this idea, much longer than it took the countries of Europe with their denser populations and lower standards of living. We are only beginning to understand the questions that even this limited program raises, and there are still large elements of the population indifferent and others downright hostile to attacking these problems. Thus it is natural that we should linger for some years in the vestibule of social security offered by compulsory insurance schemes. Yet, if the capitalist leopard does not change his spots, we shall be driven to much more radical defenses against dependence due to economic breakdown.

Social insurance is not enough because of fundamental defects in our prevailing mode of producing and distributing wealth. No insurance plan can be more solvent than the economic structure upon which it rests. Insurance means converting individual uncertainty into collective certainty. But when we try to include the great mass of the population we suddenly discover that there is no social certainty. In other words, when we make the sum of the risks practically identical with the social causes of those risks insurance becomes impossible. As Mary Van Kleeck has said, "insurance conceived as provision in

advance for needs which, though not foreseeable for the individual are measurable for the social group, breaks down when needs are no longer foreseeable on the basis of past experience but are expressed in a change of social trends."

Many will say: "No, that is not the case. Here we have a country and a population capable of enormous production. It is true that we have alternations of activity and lapse, of prosperity and recession. In periods of overproduction we may make provision against succeeding periods of under-consumption."

This answer is suggested by the recollection of Joseph of Pharaoh's Egypt. It discloses the naïve belief that now as then the problem is one of the distribution of goods over a period of time. Joseph in fat years stored up grain to be dealt out in lean years. He was faced with only simple questions of production and consumption. But today production and consumption are controlled, to a degree unknown to Joseph, by a price system which in turn is made to be the servant of the profit motive. Our problem in bringing about economic stability is not one of goods but of market values. Our economic ups and downs are not due to the eccentricities of nature. Our difficulties are not physical. Embracing a wide area in our economy, and applying our scientific knowledge, we can, so far as agriculture, engineering and transportation are concerned, make nature yield abundance steadily and in increasing amounts. Our vexation arises from the failure of our price-and-profit system to work in harmony with our productive capacities.

If Joseph were alive today and we wanted him to provide us with social security, he would immediately demand that we abolish the price sys-

tem. He would at least demand such a far-reaching control of that system as would amount to an abandonment of its supposedly automatic adjustment of production and consumption.

Why is it that social security through social insurance is rendered difficult if not impossible by capitalism, which consists in the private ownership of the great means of production and their operation for profit through the instrumentality of prices?

Obvious limitations of social insurance may be passed over quickly. Consider such plans as have been put forward for unemployment insurance in the United States. Benefits are inadequate to maintain the workers' standard of living. The waiting period, before any benefits are paid, runs from two to four weeks in most of the leading legislative proposals. The benefit itself is usually set at 50 per cent of wages, with a maximum not over \$15 even where dependents are separately allowed for. All but the Workers' (Lundeen) Bill restrict the period over which benefits are paid to twenty-six weeks or much less, and the liability of the fund is ordinarily limited to its resources. Benefits in most cases are not to begin until contributions have been paid for a year.

Thus it is clear that in case of protracted unemployment, whether due to a business slump or to technological changes, relief in some form must take up the burden which insurance alone cannot carry. This has been the experience with the chief unemployment insurance schemes in Europe. Unemployment insurance, when inaugurated in this country, must necessarily begin slowly. Employment and payrolls are down, which means that the fund will have a narrow base. It will be long before those now unemployed can be brought into the scheme.

Even if the contributions to the fund come entirely from the employers, the employees bear more than half of the cost of unemployment, for the reasons just noted and because much of the cost to the employers will be passed on in increased prices to the consumers, the great bulk of whom are workers. It will be extremely difficult for workers in the lowest wage groups to contribute directly.

It now appears that the President's committee favors State unemployment insurance measures rather than a single compulsory Federal system. Employers in a State that does not enact a law or that requires employer contributions lower than those of other States will have a competitive advantage. Uneven State action has long been a drag upon progress in social legislation.

If the contributions of the employers are high enough to accumulate a useful fund, they may be high enough to make it worth while to introduce more labor-saving machinery, and thus aggravate the unemployment problem. High employer payments into the fund may drive marginal employers out of business, again diminishing employment.

Most of the bills that have been brought forward exclude large groups of the working population—farm laborers, domestic servants, casuals, and those employed in small establishments. It is estimated that half of the wage-earning Negroes would not be embraced in these plans.

Most of these shortcomings may be removed by the progress of legislation, but there will still be the difficulties arising from the investment and liquidation of the insurance funds. To be readily convertible, the bulk of the funds will be invested in public securities, probably municipal and State as well as national. Let

us take the best case and say the volume of these securities is greatly increased to meet the augmented demand for them. This new revenue of governmental bodies cannot be held idle, for interest must be paid on the bonds.

The funds would naturally be used to promote public works. But in good times, when the huge sums would be invested in this way, public works are not especially needed. Indeed, they would serve to accentuate the steepness of the prosperity curve. Neither would public works be needed in a period of active business to absorb unemployment. In the recession phase of the business cycle, when unemployment is on the increase, some part of the securities may be sold, though this must be to the detriment of public bodies when they have to undertake new borrowing, and at the expense of the withdrawal of investment from private industry. To the extent that it might be necessary to invest the insurance funds in industrial securities and mortgages, the results would be worse. The public bonds, in times of heavy unemployment, would most probably have to be made the basis of currency issues, and that would amount to an indirect method of inflation.

(Looked at in the large, the accumulation of enormous social insurance funds is dangerous because any great addition to savings and reduction of consumption in the upswing of the business cycle is a further threat to the stability of the capitalist economy. What this system needs is not more plant, more production, but a relative enlargement of consumption.)

Only sickness insurance and survivors' insurance (widows' and orphans' pensions, really the familiar "life insurance") can have actuarial basis. Important as these are, they are

not the objects of the present demand for social insurance.

Social provision for old age, whether in the form of insurance or pensions, is less susceptible of calculation. Economic old age does not wait upon individual physical infirmity, but is a function of the productive system of the country. The call is to provide for industrial old age, which under the present system, comes on earlier and earlier as the technique of production improves. We know precisely how many people there are in the country 65 years of age and over, and we can calculate with tolerable accuracy how many there will be in this group for a good many years to come.

But this is not the problem. We are reluctantly drawn from the relative certainties of birthrate and mortality to the imponderables of scientific discovery and application. Bodily vigor is no longer the determinant. The jealous turbine and the gears and wheels and drills that it drives bring in new and irresistible compulsions. It would seem that this situation demands recourse not to insurance but to tax levies. ✓

If it is difficult to forecast the magnitude of old-age dependency, it is impossible to confine unemployment to the demands of the actuary's art. Seasonal unemployment in established trades may be dealt with over short periods of time, but cyclical and technological unemployment burst all bounds. The beginning of wisdom in meeting these terrifying disorders is the recognition that they are inherent in the capitalist economic system.

Dreadful as cyclical unemployment is, we have found in the past that as a social phenomenon it disappears for a time. We now become conscious of a new and more fearful menace in technological unemployment. As distinguished from the cyclical sort, this

appears to be a fairly steady growth. Responsibility for the occasional depression can be assigned, like earthquake or tornado, to the anger of God, but not so the throwing of men out of work by the application of giant power to labor-saving machines.

These are the fruits of human ingenuity. We begin to see that we are doing more than throwing out workers. We are throwing out work itself. The students and propagandists calling themselves Technocrats, however discredited they may be in academic eyes, and however abandoned in popular notice, are essentially correct in declaring that our new proficiency in production invalidates the price system. Columbia University has purged its precincts of their presence, but the discernment of the Technocrats is justified with every passing day.

The fact is, disguise it as we may, that we have gone from scarcity to abundance. The economic ideas appropriate to an economy of privation no longer apply. The old dogmas are in the discard, for a relatively static society has been replaced by a conspicuously dynamic one.

Men, since they learned to exchange goods and use money, have entertained three successive conceptions of wealth. The Mercantilists considered that wealth was cash. The *laissez faire* school thought and still thinks that wealth is commodities. The collectivists, their preachments at length confirmed by the march of events, know that wealth consists in neither cash nor commodities but in capacities.

The demands of the power age run counter to the underlying notions of social insurance. Insurance draws its purpose from a period of scarcity; our present trouble is surplus. Insurance is prompted by fear, but now we are invited to social self-confidence.

What we need is to control the energies at our command. We should not be anxious to socialize a part of the product, but resolve to socialize the whole of the power. Worse than hunger and rags is the impoverishment of our minds.

Social security to Joseph in Egypt meant provision for consumption. But social security to President Roosevelt in capitalist America sets the far more difficult task of stimulating production in a price system which has collapsed from too much production. He finds that he must go forward and backward at the same time. With his hopes fixed upon the raising of prices as the best means of encouraging industry and agriculture, he begins, ironically, by restricting output.

Disappointments follow—more people are thrown out of work; prices rise faster than wages; consumption is consequently restricted; relief allowances have to be increased unless the unemployed millions are to suffer beyond endurance; heavier tax burdens are imposed upon consumers and producers alike. To circumvent higher operating costs, industry installs labor-saving equipment, or, if prevented from doing so by code restriction, makes workers tend more of the existing machines. In either event output is swelled and prices tend downward; if, nevertheless, prices are artificially maintained, unsalable surpluses are further piled up.

The President had historical warrant for supposing that weakening confidence in the currency would raise prices, but it turned out that the economic system was too run down to respond to the tonic. The result, rather, was a case of nerves in the form of a total disappearance of capital investment. This has impeded the further objective of restoring industrial activity and putting men back to work.

The longer the depression lasts, the more rapid the rate at which American economic opinion is changing in favor of governmental interference leading to outright collectivism. American economic opinion does not mean the views expressed by professors of the science, most of whom have hung back from the plain teachings of experience, while the most progressive have steamed into the fog of the New Deal, and anchored there. It means rather the gratified acceptance by the man in the street of the radical departures which are continually being forced upon the Washington administration.

Public housing is a case in point. Deferring at first to the claims of private ownership of land and private initiative in building, the administration has discovered that it must more and more drop the inhibitions which go with support of capitalism, and now winds up by assuming practically complete responsibility for both funds and enterprise. Here is government detouring around or even plowing through the obstructionism of a great private industry, with all its linkages to private finance, and addressing itself directly, although belatedly, to a task that needs to be done. This solution satisfies the average citizen. It is safe to guess that the pleas of the bankers will not be heard very far. To remind us that the mortgage market will suffer is to bring the reply, "So what?" The sanctity of debt has always made a poor appeal. It is amazing that we have so long been willing to tighten our belts while we are taxed in order to pay farmers to destroy food.

More and more of us are coming to see that private profits are the sand in the bearings of the New Deal machine. The task of placing goods at the use of consumers is hindered at

every turn by allegiance to the capitalist mode of production and distribution, which has become increasingly unworkable.

Social insurance in an age of plenty is a standing admission of capitalist failure. Its inspiration, on the part of its ablest upholders, is the classical economic habit of pessimism, touched with humanitarian mercy. As seen by more realistic advocates, social insurance is a canny way of robbing the people of their heritage. It is not generous, as they would have us believe, but grasping. It throws a sop to discontent. With social insurance the favored minority buys off the demand for social reorganization. We are told that contributory insurance schemes preserve and even bolster the worker's self-respect, that when he gets his old-age pension or out-of-work pay he is simply taking back his own, enjoying the fruits of the privation which he imposed upon himself in better times. The American people will, I believe, reject this cheap deception.

Social insurance is not enough. To accept it and not press for more is to meet a thief and agree with him. To be satisfied with the prospect of social insurance is to argue ourselves fit subjects of mere patronage. What is due us is the release of our energies. Why should we be beguiled with the crumbs when we have set the table for the banquet? But beyond that, it is not goods we need to socialize, but the capacity to produce them. We should expect to socialize not so much the past as the future. We must socialize opportunity, not pandering to fears, but planning to lay hold upon the

promise which is offered us by our ingenuity and our rich natural resources. We should lay our schemes not for unworthy maintenance of idleness, but for widespread enjoyment of leisure.

The existing physical plant of the United States is worth in money vastly less than it was five years ago. Its value was built upon the profits it produced, and when these fell away, capital worth shriveled. Obsolescence, even more than outright deterioration, has taken its toll. Society may buy out the capitalist class cheaply. In fact, we are doing exactly this by the disguised method of Treasury subsidies to industry, to banking, private insurance companies and distributive agencies. The government becomes the majority stockholder in many corporations. Public management, which has been customarily assailed as lacking initiative, becomes the only means of coordinating the transportation facilities of the country; it urges on the railroads both electrification and streamlined, Diesel-driven trains, and supplies the money with which to bring about these improvements.

Social security will proceed from economic stability and steady progress. This requires planning, and planning requires unquestioned control by organized society over the means of production. We shall not get on by grudging individualist concession to social casualty, but by gathering collective strength for positive betterment. Though to many this may sound like wishful exhortation, the event may prove that it is merely competent economic comment.

Russia's New Outlet to the Sea

By ALEXANDER BAKSHY

SOME two years ago newspaper reports from Finland spoke of mysterious activities across the Soviet-Finnish border. It was said that the Soviets had concentrated troops in Karelia and had transported great masses of workers to build a canal between the Baltic Sea and the White Sea. The Finns felt uneasy. Why was the canal being built? Why was there so much secrecy about its construction? What sinister military design had the Soviet government in mapping out, at a distance of little more than fifty miles from the Finnish border, a new waterway? And why this sudden interest in a region as wild and sparsely populated as the desolate lakeland of Karelia?

Recently reports from Finland spoke again of the canal. This time it was stated that now that the waterway had been completed, two Soviet submarines had made their way from the Baltic Sea into the White Sea. What military significance attached to the alleged passage of submarines, with which rumor coupled the appearance of Soviet "ghost planes" over the Arctic coast? Whether these reports were wholly true or not, there was no doubt that the canal had been built, and there need have been little surprise over the fact that the Soviets had established, or were to establish, a naval base on the Arctic coast. The harbors of Kronstadt and Leningrad are icebound in winter. The port of Murmansk and the adjoining littoral, much further north but warmed by the Atlantic drift,

are free of ice throughout the year. The inference is inescapable. With an inland waterway connecting the Baltic and the Arctic, the Soviet navy gains in freedom of movement.

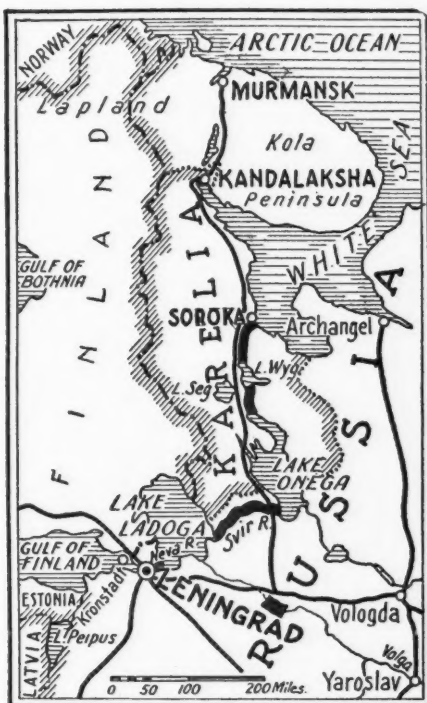
Yet it would be premature, and indeed far-fetched at any time, to suppose that the Baltic-White Sea Canal is as valuable strategically to the Soviets as the Kiel Canal is to Germany. The Soviet waterway is impassable for ships of over 3,000 tons displacement. It is icebound during six and a half months out of the twelve. On account of its numerous locks and dikes it is vulnerable to air attack. Even if in the future it may be made wider and deeper, its importance is primarily economic, not military.

The new canal is located in that part of the Soviet territory which includes the autonomous Republic of Karelia and extends from the Arctic coast of the Kola Peninsula to the shores of Lake Ladoga and Lake Onega, the two largest lakes in Europe. The River Neva connects the Gulf of Finland with Lake Ladoga, and the River Svir connects the latter with Lake Onega, which, in turn, through a series of canals and rivers known as the Maryinsky system, is connected with the Volga. Thus the two lakes form links in a system of inland waterways which has served for over a century as the main artery of trade from the Volga region to the Baltic. The new canal is linked with this system. It starts from Lake Onega and, following a number of small rivers and lakes, stretches

north for 137 miles until it reaches the White Sea at the settlement of Soroka. Over its entire length the canal runs parallel with a section of the railway connecting Leningrad with Murmansk, some 350 miles north of Soroka.

The canal is intended primarily to relieve the greatly congested traffic on the Murmansk railway and to provide cheaper and easier transport for a district now undergoing rapid industrial development. This is in line with the present Soviet policy of relieving a hard-worked and inadequate railway system by developing inland waterways, which in Russia are more extensive than in any other part of the world. Between 1928 and 1933 cargo traffic on Soviet rivers increased from 40,000,000 tons to 72,000,000 tons (it was 48,000,000 tons in 1913 and 20,000,000 in 1923). This result has been achieved despite the great falling off in the main item of river transport—the Volga grain which in pre-war years was sent to the Baltic ports for export abroad.

The Baltic-White Sea Canal carried nearly 900,000 tons of cargo in the first season of its operation. During that season, which lasted only four months, 16,700 boats and 2,700 rafts passed through. It is estimated that by 1937 the annual cargo traffic will reach 10,000,000 tons, although the report of the official committee which accepted the canal on its completion in June, 1933, speaks of its maximum capacity as 4,000,000 tons each way. Whichever figure is taken, there is a favorable comparison with the cargo traffic for 1929 on such important waterways as the Erie Canal (2,876,000 tons), the St. Lawrence (5,718,000 tons) and the Manchester (6,558,000 tons). International highways such as the Suez, the Panama and the Kiel Canals, carrying in 1929 33,466,000



The Baltic-White Sea Canal

tons, 30,663,000 tons, and 21,613,000 tons, respectively, are of course in another category.

From the early nineteenth century down to 1915, many projects for connecting the White Sea with the Baltic were submitted to the Czar's government, but none ever passed the stage of report and discussion. In the Summer of 1931 the Soviet government, on the initiative of Joseph Stalin, decided that Russia needed the canal urgently and that the government should build it forthwith. The territory to be traversed was surveyed, work was started in October, and twenty months later, on June 30, 1933, the canal was opened for navigation. In such an unprecedentedly short period was performed an engineering task which involved the excavation of about 11,000,000 cubic yards of earth (including 2,500,000 tons of granite),

the laying of 510,000 cubic yards of concrete, the building of 1,200,000 cubic yards of wooden caissons, the construction of 19 locks (with 51 lock gates), 15 dams, 12 floodgates, 49 dikes and 33 sections of artificial canal. Altogether there was a total length of 8 miles of solid construction work and of 12 miles of excavated channels.

This engineering feat had other distinguishing features. Considerations of economy and shortage of metal compelled the Soviet engineers to employ wood as their principal structural material. Hitherto it had been believed that lock gates, caissons and other canal fixtures of the dimensions and resistance to water pressures required could be built only of metal and concrete. The Soviet engineers proved otherwise. They used wooden caissons for the 39-foot walls of most of the locks as well as for some of the dams, and they worked out an original rhomboidal design to build forty-eight lock gates entirely of wood. It speaks well for the ingenuity and skill of the engineers that all their structural innovations have withstood the test of operation. The life of these wooden parts is officially estimated at 15 years above water and at 40 years under water.

Not only did the canal represent innovations in the construction itself; it also provided an interesting opportunity for the Ogpu to exercise its power, for when the Soviet government decided on carrying out the project, it was faced with the problem of finding a huge army of workers. To take them from the available labor reserves would have seriously affected the progress of industrial construction in other parts of the country. The problem was solved by entrusting the execution of the scheme to the Ogpu, whose prisons and cor-

rection camps swarmed with idle humanity.

All sorts and conditions of men and women were to be found in those institutions. Some were habitual criminals—thieves, burglars, forgers, gunmen. Others were outlawed kulaks, peasants convicted of various offenses against the collectivization policy of the government. Others still were engineers and former government employes convicted of sabotage and similar "wrecking" activities. Out of this motley agglomeration the Ogpu formed its canal labor army. Although its actual size has never been publicly stated, it probably numbered between 100,000 and 150,000.

Brought to the wilds of sub-Arctic Karelia, this horde of people, containing a large proportion of desperate men and women, ought to have presented many difficulties. At least it would have done so in any other country. But it did not greatly worry the Ogpu. The frontier guards were reinforced, and a surprisingly small force of Ogpu men policed the convict camps. Order and discipline were maintained by giving the prisoners the opportunity to forget that they were convicts and to remember only that they were citizens. From the moment the prisoners arrived at the job they were given freedom of movement. There were no guards to watch them, nor were they confined to barracks. They knew that to escape was difficult, and few attempted it. Work was of course obligatory, and felling trees, removing heavy boulders or digging in temperatures below zero was no play. Some prisoners flatly refused to work, and neither reduced rations nor solitary confinement could make them alter their decision. The majority preferred increased allowances of food and clothing and the prospect of early liberation that was

held out as a reward for conscientious labor.

This submission of the prisoners was only the first step toward the goal which the Ogpu set out to attain. Self-interest was all right as far as it went, but it did not go far enough. Social consciousness had also to be awakened in the prisoners. For this there was no better method than "Socialist competition," a method which, in the form of rivalry between groups, has worked many miracles in the carrying out of the Soviet industrial program. With no little understanding of human psychology, the Ogpu set itself to rousing the same spirit among the prisoners. Shock brigades were formed and every possible device was used to make one excel the other. The brigade holding the record set out on its daily task carrying the banner of the camp and accompanied by a prisoners' band. Portraits and articles in the camp newspaper, published by the prisoners themselves, lauded the achievement of the record-breakers. On the other hand, slackers, malingerers and cheats were ridiculed and exposed to public contempt by such means as the broadcasting of their names or by satirical stage shows.

The campaign proved successful. From thoughts of personal advantage the prisoners passed to an increased interest in their work, and finally to genuine enthusiasm for the success of the entire enterprise. Sufficient evidence of this change of heart is supplied by the number of prisoners granted concessions and privileges upon the completion of the canal. A total of 59,516 had their terms reduced, 12,484 were given remission of sentences and 500 were reinstated in full civil rights and had their convictions struck off the record. More striking still was the award of the

highest decorations in the land to eleven engineers who had been convicted of counter-revolutionary activities, and to four supervisors and leaders of shock brigades who had at one time been professional thieves.

To mention in one breath highly qualified engineers, some of them former professors or heads of vast undertakings, and professional thieves seems a little odd. But we have to remember the Soviet scale of values according to which to have been a thief, a prostitute or a murderer seems to carry no stigma, but rather the glory of having eventually found the truth. In the numerous Russian books and articles about the canal, the place of honor is invariably accorded to the portraits, life stories and confessions of criminals turned into heroes by embracing the faith of collective effort and service to the workers' revolution. Even if one may be skeptical about the permanence of these conversions, there is plenty of evidence to show that the enthusiasm of many of the convicts for their work was perfectly genuine. Many who were set free before the canal was finished insisted on being allowed to see the job through. Others asked to be transferred to similar work on another canal now in the process of construction. Still others risked their lives in attempting to persuade the recalcitrants among their fellows to join in the common effort.

Nor is it possible to overlook the future awaiting a Soviet convict on his release. He finds no discrimination; on the contrary, the authorities are solicitous to provide him with work and, in some cases, even with scholarships to complete his training. Many of the prisoners during their stay in the canal camps became skilled carpenters, engineers, foremen, laboratory workers, and in the Soviet

Union today a man skilled in any trade needs only to present himself at an employment bureau to be engaged. Under such conditions, there is every reason to believe that released criminals, once accustomed to honest work, have an excellent chance of becoming useful members of the community.

The influence of the Baltic-White Sea Canal on the economic development of Soviet Russia is almost incalculable. Until recently the natural resources of Karelia lay dormant. Lumber had been produced, but transportation facilities were bad. Now it has become possible to introduce a technically efficient exploitation of the Karelian forests. The growing industries of the Leningrad district demand ever-increasing supplies of wood. Karelian timber will thus be shipped to Leningrad via the short canal route, instead of following the route, four times as long, around Sweden and Norway. Power plants, moreover, are now being built on the canal and on neighboring rivers, and more are planned. Thus may be developed local industries for which wood is the basic material. One such group of plants is already under construction on the River Segozha. This will make paper, resin, turpentine, tar, alcohol and a number of other chemical products. Another, for the manufacture of aluminum, will come into operation in 1937. A power station being built on the Kola Peninsula will make possible the electrification of the Murmansk Railway.

But the most important industrial development in the region is the opening up of the mineral riches of the Kola Peninsula. There, above the Arctic Circle, vast deposits of apatite earth have been discovered. This

earth, which in concentrated form contains a high percentage of phosphorus and can be used as fertilizer, has great importance for Russian agriculture, which until now has had to depend entirely on foreign phosphates. The exploitation of these deposits has already begun, and the estimated output of 1,000,000 tons in 1935 will rise to 1,400,000 tons in 1937. It is believed that eventually Russia will not only supply all her domestic phosphate needs, but will begin to export the product.

In the Kola deposits the apatite earth is combined with another mineral, nephelin. Nephelin is a base from which aluminum oxide and aluminum are produced. Thus a foundation has been provided for another Soviet industry, and two large plants are being built in the region to supply the country's needs in this metal. Other valuable chemicals, too numerous to be listed here, are yielded by apatite and nephelin, and will be produced by a group of six interlinked chemical plants now under construction at Kandalaksha, on the southern coast of the Kola Peninsula.

In providing an easy means of transportation for the products of this rapidly developing region, the Baltic-White Sea Canal is thus of major importance to Soviet economy. Yet the Arctic region is only awakening to industrial life. Coal and oil abound in the Pechora district, further east along the Arctic coast, and there are great quantities of agricultural produce in the Obi and Yenisei regions of Siberia. These have now a new means of access to the interior of Russia. The North and South of the vast region of the Soviets have been joined by the convict labor that has created this new waterway.

Changing Views of Evolution

By WALDEMAR KAEMPFERT*

DARWIN'S great contribution to the doctrine of evolution was his conception of the interplay of variation and natural selection. He had studied the ways of breeders. Strong, heavy draft horses sprang from strong, heavy sires and dams. The breeders saw to that and deliberately prevented what were to them mismatings. So with sheep, swine, hens, dogs and other domestic animals. "Artificial selection" Darwin called the process. Was there a similar ruthless weeding out of undesirable plants and animals in the forest and the sea?

He read Malthus, and a great light burst upon him. Populations cannot increase, because the food supply cannot keep pace with them. What if a similar influence were at work in nature? Even a slow-breeding animal like the elephant would overrun the earth if death did not intervene to cut him off in his infancy or in his prime. Lack of food, physical weakness, any one of a hundred unfavorable characteristics might prove to be his undoing. Unfavorable for what? Life in the jungle. Very subtly and imperceptibly, then, nature was selecting the fit. Each generation was thus mercilessly put to the test. Only the right variation of an elephant, parrot, mosquito, oak or grass could survive it. Not that nature was primarily concerned with individuals but with the race or species as a whole.

At one magnificent stroke Darwin apparently explained the infinite vari-

ety of life. Insects that looked like leaves, zebras striped so that they were inconspicuous in tall grass, swift eagles with hooked beaks and sharp talons, snakes that glided through the brush—natural selection was the influence that molded their forms, tinted their coverings, adapted them to meet the exigencies of the environment. Out of primitive but less efficient animals and plants species as we know them might well evolve by such a process. In fact, fossils made the theory all the more plausible. Extinct fish were clearly related to living species, extinct mammals to modern mammals. The evidence seemed overwhelming. Not since Newton published his laws of motion and gravitation had so magnificent and all-embracing a doctrine been given to thinking men.

Contrast this theory with that of Darwin's predecessor, Lamarck, as we must if we are to understand the tendencies of latter-day biology. To Lamarck the modifying force was an urge in the animal or plant itself. A fowl took to the water because of new necessities or opportunities and tried to paddle. Thus the urge for webbed feet was aroused. If any tendency toward webbing developed it would not only be transmitted but intensified. On this principle a longshoreman would not only acquire strong arms and legs through much lifting and carrying but hand on his strength to children and grandchildren who would be still stronger. According to Lamarck an organism must will and

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strive to evolve; according to Darwin it must do or die. Haeckel saw no inconsistency in the two views and dedicated his *History of Creation* to both Lamarck and Darwin. And even the great Darwin himself accepted "use inheritance" as a partial explanation of the process of evolution whenever it suited his purpose.

What is the evidence that new species and varieties are actually created by weeding out the unfit? Virtually none. Natural selection is a reaping machine, but there is nothing to show that reaping can account for either the sprouting of new grass or the direction in which it will grow. In other words, there is no solid proof that natural selection can launch a change. If individual differences are to count in obtaining a foothold the kind that Darwin put forward are not sufficiently of the life-and-death kind. Considerable mathematical evidence shows that survival is as apt to be a matter of luck as of fitness.

It is also objected by the modernists that although natural selection accounts for the acquisition of advantageous characters it cannot account for characters that are harmful or worthless. Among fossils evidence enough is found of legs, heads and other structures, all the result of evolution but actually a hindrance in the struggle for existence. The unwieldiness and the bulk of the hugest dinosaur, for example, were certainly no advantages, especially when considered in the light of a ridiculously small brain. Yet nature took the trouble to evolve the creature over almost incalculable centuries.

Defenders of natural selection meet these and other objections by pointing out that desirable and undesirable characters are often linked together and transmitted as a unit. The white and colored populations of the United

States die from different diseases. Immunity from measles, for example, is correlated with hair and eye color. In this fashion it is possible to account for the evolution of useless traits by connecting them with unknown advantages. Thus manipulated, natural selection explains everything. If our modern one-toed horse had been the primeval type and the small five-toed *Eohippus* had been the survivor it would be easy enough to assume that the more toes a horse had the more immune it would be to disease.

The late William Bateson, one of the ablest of English biologists, protested caustically against the romanticism that made it possible to regard all variations as advantageous. Our own Nobel Prize-winning Professor Thomas H. Morgan has been equally trenchant but more polite in pinning the more ardent natural selectionists to the indisputable facts of life. To the philosopher natural selection is no explanation at all of what we see about us. It implicitly assumes what it sets out to explain—that continuous inheritable variation occurs constantly in all directions (which it does not) and therefore becomes an example of the common illusion of converting mere general terms into imaginary things. To a neo-Lamarckian, like the English biologist Professor E. W. McBride, natural selection is a harmless piece of mysticism which means no more than that "the survivors survive."

Most biologists now hold with Bateson and Morgan. It is not evolution that is under fire but Darwin's description of its mechanism. Natural selection is an indisputable and a powerful factor in evolution, but it originates nothing. We are left exactly where we were when Lamarck and Darwin were in their heyday—left asking ourselves: How is one species

transformed into another? Not until we produce new species under control are we likely to answer the question.

Darwin would have rejoiced in the experimental method had he perceived any way of employing it. The stock breeders were actually obtaining results which he weighed. In other words, the two-headed calves, the malformed sheep, the unpredictable departures from the normal which now and then appeared and which the breeder promptly killed off because they were of no commercial importance were teaching a lesson in variation and heredity. These "sports" among plants and animals occurred too infrequently, in Darwin's opinion, to play any vital part in the creation of new species.

To the Dutch botanist Hugo de Vries, the sports or mutants that Darwin rejected are the raw material of evolution. De Vries made this discovery after studying a flower which is known as Lamarck's Evening Primrose and which seemed to be strangely unstable. It was throwing off sports. He experimented with the plant—tied bags over the flowers so that there could be no opportunity for hybridization. Still the mutants or sports appeared. Moreover, they were so different from the parent plant that at first botanists were willing to accept them as new permanent varieties. Out of this work came the mutation theory of de Vries—the theory which postulates that new species are created suddenly.

To be sure, more careful control and more exact interpretation of the results have shown that the supposedly new varieties or sub-species of the evening primrose, on which the theory is largely based, are strains already present in a complex prototype. But the work of those who followed de Vries in experimental evolu-

tion leaves no doubt that new, inheritable characters do arise suddenly in the very manner that Darwin rejected as highly improbable. After some modification the mutation theory of de Vries is today the most generally accepted explanation of evolution. On the other hand, it is pointed out by such Darwinians as Professor Julian Huxley that mutants are not as strong as their progenitors, that they die off early even when coddled, and that the more marked the departure from the parental type the less is the chance of survival, so that in the end we find ourselves holding with Darwin that only the slight differences are transmitted.

De Vries was by no means the first to introduce the experimental method in studying the problems presented by species. Before him came the Augustinian abbot Gregor Mendel, who crossed edible peas under control and in 1865 formulated his now famous laws of inheritance. Unfortunately, he presented his results in a paper read before an obscure society at Brünn in Austria. Had it come to the notice of English biologists possibly Darwin might have modified his conception of species as well as his views on natural selection. De Vries in Holland, Correns in Germany and Tschernak in Austria rediscovered Mendel's laws of heredity at the beginning of the century and thus started the mutation theory on its course.

They are simple enough—these laws of heredity as they were framed by Mendel, de Vries and the early experimenters. Given a set of physical characteristics in two parents (tallness, shortness, hair color, eye color and the like) it is possible to predict what the offspring will be in the next generation. After that Mendel and de Vries could predict nothing and had to rely on a mathematical

treatment of chance, which in turn indicated how many plants or animals would have the characteristics studied but not the individuals that actually possessed them. Sports or mutants obeyed precisely the same laws as normal organisms—a powerful argument in favor of the mutation theory.

A tremendous forward leap was thus taken. Before the Mendel-de Vries-Correns-Tschermak revolution biologists were convinced that cabbages and kings transmitted themselves as whole collections of characteristics. After the revolution it was evident that the characteristics were as separate as the stones, cornices, windows and doors of a house, though blended to produce an individuality. It looked as if Weismann might be right after all—old Weismann who had preached that the germ plasm is the all-important factor, or, in other words, that the germ cells are the product not of the body in which they are found but of the germ cells of the previous generation.

Within the cells Weismann and others saw little bodies now called "chromosomes"—literally "color bodies"—because they can be easily stained and thus made visible under the microscope. Fanciful properties were attributed to them. Montgomery and Sutton pointed out the parallel between the behavior of the chromosomes and the factors of heredity that obey the laws of Mendel. Dr. Thomas H. Morgan and his associates were thereupon able to reveal how these factors are arranged within the chromosomes. With the inspiration of genius he decided to experiment with the now famous *Drosophila melanogaster*, a fruit fly that breeds a new generation every nine days. In a single year he could study twenty-five generations or the equivalent of 500 years of human family life. If germ plasm,

especially the chromosomes in cells, could be modified fruit flies would tell the story in their aberrations from their ancestors. With a patience buoyed only by the stimulus of a great idea Morgan bred flies by the millions and kept carefully indexed genealogical records of their children and their children's children. Few human families are as sure of their ancestors as he is of his fruit flies' progenitors. He and his school examined over 20,000,000 flies and found about 400 mutants that bred true. Today about 600 such mutants are known.

Out of this work came a momentous discovery. The chromosomes in the cell are always definite in number for each species of animal or plant—8 for the fruit fly, 14 for the garden and sweet pea, 42 for wheat, 54 for the monkey, 48 for man. Note that these are all even numbers. Can it be that the chromosomes are paired, so that one half belong to the male and the other half to the female? The experiments left no doubt that this is indeed the case.

By classifying his fly mutants Morgan found that they fell into four groups. Note the number. Half of eight—the number of *Drosophila's* chromosomes. Morgan asked himself: Do the four groups correspond to the four male and the four female chromosomes? They did. Hence the chromosomes must be bundles in which the actual characteristics of heredity were packed. In fact Morgan became so skillful that he could predict what would happen when fruit flies were mated. For instance, if a fly with a black body and twisted wings was crossed with a normal fly, the grandchildren that happened to have black bodies also had twisted wings. The pedigrees of millions of flies left no doubt about this. Always there were these linkage groups, and always the

number of groups equaled half the number of chromosomes. There was no need to call in a mathematician to figure out how many flies of certain linked attributes there would be in the grandchildren. Morgan could predict correctly ninety-nine times out of a hundred.

But why did the law fail in the hundredth case? The answer is Morgan's greatest contribution to biology. Obviously something must have interfered in the grandchildren with the normal process whereby male and female chromosomes were linked. Morgan made one of those imaginative inductions that place him among the great in science. He assumed that the chromosomes are not the final units of heredity. Like the atom, which is composed of electrons, they might be composed of smaller entities—so small, in fact, that they could not be seen in any microscope. He imagined these entities strung like beads in a straight line within the chromosomes. "Genes" he called the invisible beads. There must be from 2,000 to 2,500 of these genes, each different from every other in a string, each playing its own distinctive rôle in the highly complicated economy of the cell.

He assumed that the genes of the male chromosome exactly matched the genes of the female. Thus the genes that control wing shape in one chromosome lie opposite the corresponding genes in the other chromosome. So with the matching genes that determine eye color, length of hair, and the hundreds of other attributes of a fruit fly. Genes crossed over from one chromosome to the other, the children receiving genes from both mothers and fathers. Since the dominant characteristics are thus inherited the children may be indistinguishable from their parents. But interbreed the children and the effect of the original

mating becomes apparent. Again there is an interchange of genes, with the result that the grandchildren are not all absolutely like their grandfathers or absolutely like their grandmothers. A few of the grandchildren will combine attributes of the grandfather and grandmother—the eccentric one per cent. This is true for characteristics which are linked or carried by different chromosomes.

Morgan could see exactly how far from one end of a given chromosome lies the power of an unborn fly to inherit wings of a peculiar shape, even though he could never hope to see the genes themselves. Yet despite this and other proofs that genes and chromosomes are as real as electrons in atoms this was sheer inference, although the inference of genius. Not yet had it been proved by some definitive experiment other than breeding that by modifying the genes in some way, new mutants of fruit flies would arise.

There now began ingenious efforts by many biologists to jolt the genes—change their constitution and their arrangement. It seemed at first as hard as changing mercury into gold. The experimenters tried everything—drugging, poisoning, intoxication, anesthetizing, bright illumination, utter darkness, suffocation, whirling in centrifugal machines, mechanical shaking, mutilation, heating, chilling, parching, overfeeding. In vain. The cell always resisted. Then Dr. H. J. Muller decided to adopt the methods of the atomic physicists. If, he reasoned, X-rays can tear an electron from an atom and thus convert it into so very excited a bit of matter that it glows, why not turn them on the genes?

The result was startling. What actually happened is not yet clear. Apparently the genes were either

changed chemically or shifted out of their places—perhaps both. Instead of 400 mutants in 20,000,000, Muller got 150 times as many. He had accelerated the evolutionary process 15,000 per cent. And what monstrosities! Flies with eyes that bulged, flies with eyes that were sunken; flies with purple, white, green, brown and yellow eyes; flies with hair that was curly, ruffled, parted, fine, coarse; flies that were bald; flies with extra legs or antennae or no legs or antennae; flies with wings of every conceivable shape of wing or with virtually no wings at all; big flies and little flies; active flies and sluggish flies; sterile flies and fertile flies. What had happened? "The roots of life—the genes—had indeed been struck and had yielded," in the words of Muller. Could there be any doubt after this that genes exist—that Morgan's divination was right? Or that the method whereby the differences that distinguish one generation of organisms from its predecessors are inherited is at last revealed? Or that differences in genes do arise suddenly to bring about large variations?

Muller has suggested that natural radiation may be in part responsible for the evolution of life. But only in part. Radium and other radioactive substances in the earth pouring out gamma rays which are more powerful than X-rays, cosmic rays which come from outer space and which are in turn more powerful than gamma rays—surely these must have their effect on germ cells. "It can * * * scarcely be denied that in this factor we have found at least one of the natural causes of mutation and hence of evolution," is Muller's conclusion. But there must be other forces at work, as Dr. Muller himself has insisted. Natural radiation alone cannot account for the increased mutation rate

that has been observed in aged seeds.

We are now at the rock-bottom of life—the gene. What is it? A bit of matter, but matter endowed with what we call life. Yet a chemical machine, in Morgan's opinion. "All the evidence that we possess at present indicates that only those particular chemical substances that are characteristic of each species can make the organism what it is," he says. How did these substances come together? Through accident or design? How is it that they manage to change and perpetuate themselves, whereas iron, gold, other matter remains on the whole what it is?

It is clear to Morgan and his school that the gene must be henceforth regarded as a complex chemical compound. Not until its chemistry is fathomed, not until the changes that take place when it is bombarded by X-rays or affected by other agencies are known, can biologists hope to throw light on the evolutionary process. "Acquired characters," "use inheritance," "natural selection," "survival of the fit," "struggle for existence"—these have an imposing ring, but they explain nothing. By giving mysterious activities names we thought we understood them. We were only romancing in a scientific fashion in an attempt to explain the infinite variety and beauty of nature.

Already it is clear that the problem of the gene is the problem of the atom. The time is bound to come when the physicist who studies the constitution of matter and the biochemist who studies genes and why they vary chemically and thus give rise to new forms of life will find that they are both studying the same ultimate phenomena. For the problem of the evolutionary process is not just the problem of life but the problem of the cosmos itself.

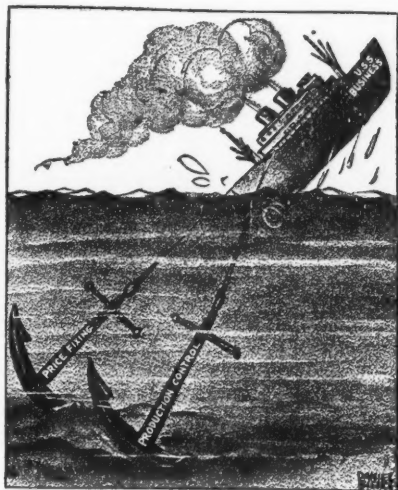
Current History in Cartoons



The mysterious vegetable
—*Christian Science Monitor*



Assuming the ringmaster's rôle
—*Rochester Times-Union*



Handicapped
—*St. Louis Star-Times*



The biggest thing in the country
—*News and Observer, Raleigh*



Reading the meter
—Dallas Morning News



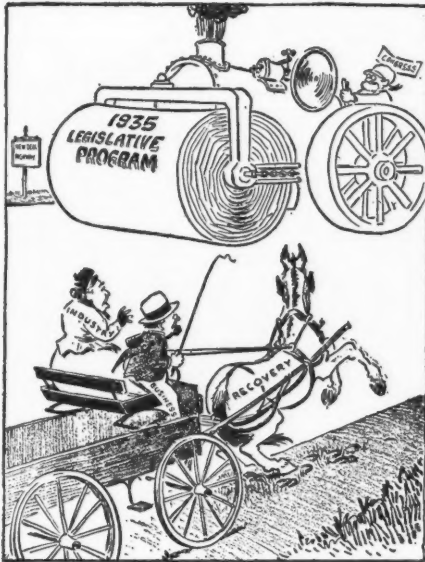
Measured with the TVA yardstick
—St. Paul Pioneer Press



A job for Congress
—Brooklyn Daily Eagle



Still afraid of the dog
—Salt Lake Tribune



Hope it won't scare Dobbin!
—Richmond Times-Dispatch



The old town grew while he was away
—The Sun, Baltimore



A big wolf wouldn't be so bad here
—Lincoln State Journal



"All de world am sad and dreary"
—St. Louis Star-Times



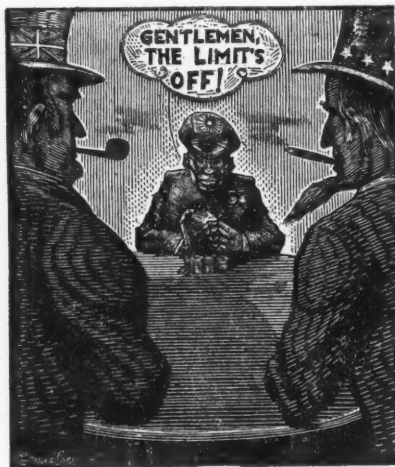
He's learning to say "No!"
—Birmingham Age-Herald



The goddess of victory
—Philadelphia Inquirer



He slapped me
—Washington Post



Japan's new deal
—Courier-Journal, Louisville

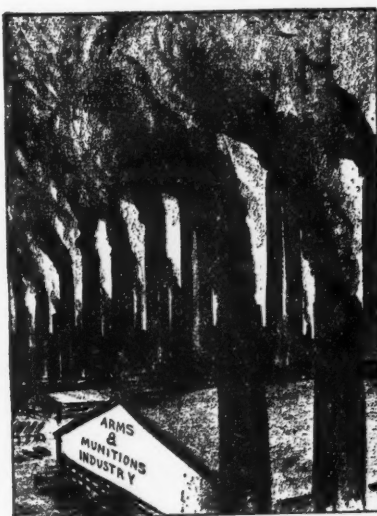


Hitler pleads for peace

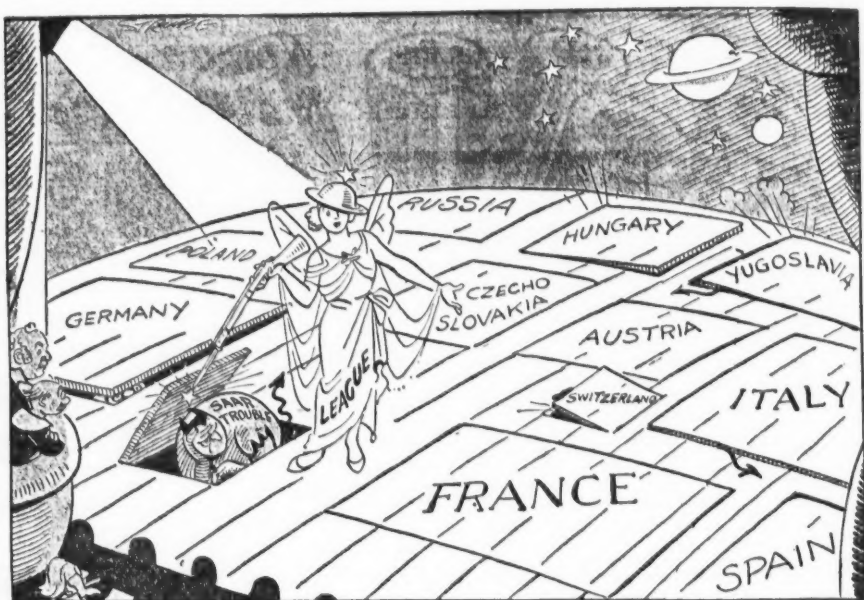
—Le Rire, Paris



Preview of the British arms inquiry
—Daily Herald, London



Where war is still brewing
—St. Louis Post-Dispatch



One devil disappears, and quiet reigns—temporarily

—Daily Express, London



"Comrade, how lucky we are not to be living under the Czars"

—Guerin Meschino, Milan

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Affairs

- Dec. 5—Abyssinian and Italian troops clash at Ualual (583).
Dec. 14—Abyssinia cables to League on clash with Italy (583).
Dec. 16—Mussolini rejects League mediation in Italo-Abyssinian dispute (583).
Dec. 18—Paraguay rejects League plan for Chaco peace (602).
Dec. 19—Naval talks end in London.
Dec. 23—League Mandates Commission criticizes Japanese mandate report (638).
Dec. 29—Japan denounces Washington Naval Treaty (581).
Jan. 3—Abyssinia invokes League Covenant to keep peace with Italy (584).
Jan. 7—France and Italy reach accord (582).

The United States

- Dec. 4—Second phase of Senate munitions inquiry begins (593).
Dec. 11—Capital parley on elimination of crime.
William Green offers plan for job insurance.
Dec. 12—Roosevelt announces plan for legislation to take profit out of war (594).
Secretary Wallace in annual report urges flexible control of agriculture.
General MacArthur continues as Chief of Staff.
Dec. 13—Increase in November relief rolls reported.
Dec. 14—Poll shows cotton growers favor retention of Bankhead Cotton Law (590).
Dec. 16—Labor Advisory Board urges amendments to NIRA for greater protection of labor.
National Resources Board makes public report on permanent conservation policy (589).
Annual report of Secretary of War asks for larger army.
Dec. 17—Administration rejects plan for legal test of TVA (588).
Dec. 26—Mississippi Valley Committee urges unified electric power system under Federal control (588).

Army Air Corps unified under Chief of Staff.

- Dec. 28—Report of House committee charges army collusion on government contracts (587).
Dec. 29—Senator Vandenberg offers program for a liberal Republican party.
Dec. 31—President Roosevelt declares against present payment of veterans' bonus.
Jan. 3—Seventy-fourth Congress convenes.
Representative Byrns elected Speaker of House (591).
Jan. 4—President Roosevelt delivers annual message to Congress (591).
Jan. 7—Budget presented to Congress (592).

Canada

- Dec. 7—Nova Scotia Royal Commission report published (598).
Jan. 4—Premier Bennett outlines a Canadian "New Deal" (597).

Latin America

- Dec. 9—Bolivia mobilizes entire manpower (601).
Dec. 12—Paraguayans capture Fort 27th of November from Bolivians (601).
Dec. 15—United States, Argentina, Brazil and Chile reopen Chaco peace talks.
Dec. 25—Arista revolt in Peru reported.
Dec. 30—Paraguay takes offensive against Bolivian headquarters.

British Empire

- Dec. 6—Indian Congress party denounces report of India Joint Select Committee (606).
New tariff schedule introduced in Australian House of Representatives (608).
Dec. 12—British House of Commons approves India report (606).
Dec. 13—Special Areas Bill passes British Commons (605).
Dec. 19—Unemployment Assistance Regulations pass British Commons (605).
Irish Dail passes citizenship bill (608).
Dec. 20—Electricity (Supply) Bill passes British Commons (606).
Jan. 3—Anglo-Irish trade pact signed (607).

France and Belgium

Dec. 13—French Chamber passes wheat bill (609).

Belgium arranges conversion of French loan (612).

Dec. 17—Premier Flandin denies in French Senate German Army is menace to France.

Dec. 18—French Chamber votes extra funds for army.

Dec. 21—Citroen Company goes into receivership (610).

Dec. 28—French Government reduces price of bread (610).

Jan. 2—France launches easy credit policy.

Germany and Austria

Dec. 4—Dr. Wilhelm Furtwaengler resigns Berlin musical posts (616).

Dec. 12—Austrian ban on German newspapers extended (617).

Jan. 3—Nazi leaders rally in Berlin.

Italy and Spain

Dec. 8—Italy mobilizes all foreign credits (619).

Dec. 28—Ex-Premier Azaña acquitted of charge of plotting revolution (621).

Eastern Europe and the Balkans

Dec. 3—First Soviet Minister to Rumania received by King Carol (625).

Dec. 6—Britain and Poland sign coal agreement (624).

Dec. 18—Yugoslav Cabinet Crisis (623).

Dec. 21—New Yugoslav Cabinet formed (623).

Dec. 22—Hungarian Premier asks for peace with neighbors.

Dec. 24—Rumanian crisis over continued influence of Magda Lupescu reported (625).

Northern Europe

Nov. 30—First regular meeting of Baltic Entente (629).

Dec. 13—Memel Diet convoked and dissolved (628).

Dec. 14—Memel treason trial begins at Kaunas (628).

The Soviet Union

Dec. 17—Reign of terror reported continuing, with total of executions reaching 103.

Dec. 20—Zinoviev and Kamenev arrested (631).

Dec. 29—Fourteen executed for connection with Kirov murder (632).

Jan. 1—Bread cards abolished.

The Near and Middle East

Oct. 25—Turkey agrees to settle American claims (635).

Dec. 2—British High Commissioner in Palestine approves sale of 50,000-acre concession to the Jewish Agency (636).

Dec. 13—Afghans attack Persian frontier town (634).

Dec. 14—World Zionist Executive and Zionist Revisionist party agree on funds and immigration certificates (636).

Turkish Grand National Assembly adopts woman suffrage (635).

Dec. 15, 16—Earthquake destroys twenty-five villages in Eastern Turkey (635).

Dec. 18—Turkey orders partial mobilization on news of Italian activity at Rhodes (634).

Dec. 20—Egyptian Mixed Court of Appeal postpones hearings on public debt question (635).

The Far East

Dec. 12—British manoeuvres begin at Singapore.

Dec. 15—Siamese Parliament opens (640).

Dec. 18—Japanese Privy Council votes to end naval treaty.

Dec. 25—Japanese Diet convenes (638).

Dec. 27—United States and Great Britain again protest Manchukuo oil law.

Japan Denounces the Naval Treaty

By ALLAN NEVINS

Professor of American History, Columbia University

THE unhappiest event of the month, Japan's formal denunciation on Dec. 29 of the naval treaty of 1922, had been fully discounted in advance. Even so, it was a shock to public opinion when it finally came. It is a deplorable event; history will unquestionably condemn the Japanese Government for a step that contains such dire possibilities.

For a full decade the Washington Naval Treaty has been one of the few pillars of safety in a chaotic and passion-ridden world. Few international compacts of modern times have done so much for the peace of mankind. No nation is justified in destroying such an instrument without the most compelling reasons, and Japan has thus far assigned no reasons that command respect. The motives of her government, dominated as it is by naval and military elements, are open to grave suspicion.

The treaty unquestionably gave the Japanese nation, as the American delegates in London said, "equality of security." Why should it want more? To be able to work its will in Asia without let or hindrance by the other powers that have legitimate interests there? These are questions we cannot yet answer. We can feel only sorrow that we may, as Ambassador Norman Davis said in a recent speech, stand at the threshold of an era "of insecurity, international suspicion and costly competition."

The London naval conversations adjourned on Dec. 19 with no date fixed for resumption; Japan's denunciation

of the treaty was delivered to Secretary Hull in a brief note by Ambassador Hiroshi Saito on Dec. 29; and Mr. Hull then notified the other signatories, Great Britain, France and Italy.

Of course it would be an error to take these events too tragically. The denunciation by Japan may represent a temporary breakdown of negotiations and not a total collapse. After all, there are still two years, or almost that, for the Washington Naval Treaty and the supplementary London treaty to run; the powers are required to hold a formal conference within a year to try to reach an agreement; and we may hope to the last that they will come to an understanding before Dec. 31, 1936. Where the delegates in London failed through informal talks, the various governments may succeed through formal diplomatic effort.

Nevertheless, the gravity of the present position should not be underrated. We are a long step nearer the collapse of the entire system of naval limitation so laboriously built up since the World War.

Before leaving London in December Norman Davis and the other American spokesmen made it clear that they had no hope for future agreement unless Japan changed her mind. She must surrender her claim of parity or prepare to make it good by building against a nation of enormously greater wealth and resources. The recent tone of the British press makes it clear, also, that the more Japan in-

sists on parity, the more certainly she brings Great Britain and the United States into unity against her. In these circumstances the Japanese position would seem to contain a large element of folly. If Japan persists in her course, she runs the danger of precipitating a naval race with a nation that can easily outdistance her and of solidifying the Anglo-American front in the Far East.

The British have had good reason to show a less iron temper in the London talks than the United States. They know that, as the European situation now stands, they must keep by far the greater part of their navy in home waters; they cannot spare a large force for the Orient. They are therefore anxious to preserve good relations with Japan as long as possible. But if the Japanese policy forces them to make a choice, they will stand firmly with the United States. They realize that it is not merely a collective treatment of naval questions that is at stake, but the collective system with regard to China. But there is hope that the Japanese Government may yet come under the control of cooler heads and that it will execute a sensible retreat before the end of 1936.

THE ITALO-FRENCH ACCORD

Italy, as December drew to a close, was far less interested in the naval treaties than in her relations with France. Throughout the month confidential exchanges were undoubtedly taking place between Paris and Rome on the consolidation of Austrian independence, the guarantee of peace in Central Europe and the settlement of the long-standing differences between France and Italy in Africa. Pierre Laval, the French Foreign Minister, was known to be eager to get Mussolini to accept an Italo-

French agreement on the preservation of Austrian freedom.

As 1935 opened it was reported from Berlin that Hitler had served notice upon Mussolini that he would regard any such agreement as a hostile act, and that Mussolini had drawn back. Expecting a victory in the Saar plebiscite, Hitler was believed to be planning new machinations in Austria. A vast deal of rumor and conjecture, much of it doubtless erroneous, went into cable dispatches from Rome, Paris and Berlin. But one tangible fact emerged on Jan. 3. Accompanied by Foreign Office experts, M. Laval that evening took the train to Rome for three days of conferences with the head of the Italian Government.

Italy had much to ask of France. She had long felt unhappy over the position in Tunis of 90,000 or 100,000 Italians, who far outnumber the 70,000 French in that colony. She felt that these Italians should be kept Italian and not made into French citizens and that they should be granted a due share in the local administration. At the same time she desired that the frontier between French Africa and Italian Libya be altered to give her access to Lake Chad, and she wished to share the control of the French port of Jibuti on the Red Sea.

The discussions in Rome came to a successful end on Jan. 7 when Premier Mussolini and M. Laval entered into a new accord between France and Italy. The agreements in which the accord was embodied concluded with a general declaration that all questions pending between Italy and France had been settled, that the two countries meant to collaborate in all fields and that they would consult whenever circumstances rendered such a step advisable.

Partial acceptance by France of the

colonial demands made by Italy resulted in additions to the latter's territories in Africa (see the article "Italy's Colonial Empire" on page 531 of this magazine). These concessions consisted of a tract of 44,500 square miles south of Libya (but without the corridor to Central Africa that Italy desired) and a small strip along the coast south of Eritrea facing the Strait of Bab-el-Mandeb. Italy also gets the island of Doumerrah. Frontier commissions will work out the details of the new frontiers.

Another agreement, designed to promote the trade of France and Italy with their colonial possessions, provided that Italy should have a share in the ownership of the railway from Addis Ababa, the capital of Abyssinia, to Jibuti in French Somaliland.

The status of Italian residents in Tunis will remain until 1965 substantially as it is under the agreement of 1896. The new agreement provides that all children of Italian parents born before 1965 shall be allowed to retain Italian nationality, though those born from 1945 onward will be able to choose between Italian and French nationality on reaching their majority. The Italian schools in Tunis are to continue as at present until 1965, when they will become private Italian schools. Other privileges enjoyed by Italians will continue until 1945, after which they will be progressively abolished.

In regard to the Austrian and Central European situation, Italy and France agreed to recommend that the powers concerned conclude a treaty of non-intervention in one another's internal affairs, agreeing not to aid movements directed at disturbing one another's territorial integrity by violence. This treaty, it was decided, should first be signed by Italy, Germany, Hungary, Czechoslovakia,

Yugoslavia and Austria and later by France, Rumania and Poland. Meanwhile, France and Italy agreed to consult in case of threats to Austrian independence. This consultation pact also may be extended to include other powers.

German rearmament was the subject of still another agreement which said that "in relation to the great powers' declaration of Dec. 11, 1932, on equality rights, France and Italy found themselves in agreement that no power may modify by unilateral act its obligations in the matter of armaments, and that if this eventually should come to pass they will consult together."

ITALY AND ABYSSINIA

That bloodshed may be caused over wild and unoccupied territory between nations uncertain whether it has any material value was given fresh illustration by a boundary dispute that has recently cropped up in Africa. The line between Abyssinia and Italian Somaliland has never been clearly delimited. On Dec. 5 Italian and Abyssinian troops met in a bloody engagement at Ualual, an oasis in the disputed border area. The Abyssinian Government at once protested to the Italian representative at Addis Ababa, and requested an arbitration. The Italian Government replied on Dec. 7 by a refusal to arbitrate and a peremptory demand for indemnity for the Italian soldiers slain, with a formal apology. Italian airplanes also dropped bombs on the border towns of Ado and Gerlogubi.

Abyssinia on Dec. 14 addressed a note to the League, stating her grievance; and Italy followed with a note to Geneva expressing her own sense of outrage. Neither of these communications constituted an appeal to the League for action. But on Jan. 3

Abyssinia formally appealed to the League to take measures under Article XI of the covenant to safeguard the peace.

The merits of the dispute are indeed far from clear. There is a boundary of a kind between Abyssinia and Italian Somaliland, fixed by a treaty of 1908; but it is so poor a kind that the Abyssinians claim that Ualual is some sixty miles within their territory, while the Italians claim it is forty miles within theirs! The Italians have held the oasis for about five years, and evidently mean to keep on holding it.

Mussolini, as Corfu showed, has a leonine courage when it comes to facing weak little nations. Though an Italo-Abyssinian treaty of 1928 explicitly requires that both nations accept arbitration of any dispute between them, Mussolini apparently has no intention of doing so. He is anxious to expand Italian territory in North Africa in every possible way, and believes in a "strong" attitude. His use of troops, tanks and airplanes after the initial engagement had an ugly look. Italy, according to expert observers, will probably insist that the League Council has no right to deal with the dispute till after Abyssinia has apologized and paid her indemnity, and that once this is done League action will be unnecessary. But this is apparently just the sort of situation in which the League should intervene.

THE SAAR PLEBISCITE

From the beginning of December all European eyes were upon the Saar, for every day brought news of some small incident that augured ill for the future. With the plebiscite fixed for Jan. 13, passions steadily rose among adherents of the German "front" and of the status quo. A sigh of relief

therefore went up from the greater part of the Continent when on Dec. 5 the British Government, reversing under League pressure its previous stand, announced that it would send British troops to make part of an international police force.

With both France and Germany acquiescent, arrangements for this international force were quickly concluded. It consisted of 1,500 British, 1,300 Italian, 250 Swedish and 250 Dutch soldiers—3,300 altogether—and was in the Saar by Dec. 22. The League Council on Dec. 11 asked the British Government to nominate the commander, and that night Major Gen. J. E. S. Brind was appointed. The little army was placed at the disposal of the governing commission under Geoffrey G. Knox, and its costs above ordinary maintenance charges were to be met out of the special plebiscite fund. The troops were received by a majority of the inhabitants with marked friendliness. Their presence and the evident anxiety of the Nazi government to restrain its nationals from any attempt at a putsch at once reassured Europe. The French, it should be added, deserved some credit for not demanding any part in the policing.

Following the agreement of Dec. 3 in regard to the Saar mines, the German and French Governments delivered to the League authorities in Geneva on Dec. 4 full political guarantees for the inhabitants of the Saar in the event of their voting for German or French sovereignty. Baron von Neurath made three promises for the Reich. He engaged, first, that there would be no persecution of those who voted against Germany or who had shown hostility to her, provided they had lived for at least three years in the Saar; second, that those who wished to leave the valley would

be allowed six months in which to decide and a year to settle their affairs; and third, that the Reich would not apply the Aryan legislation to the Saar for at least a year.

Europe thus approached the momentous plebiscite in a much happier frame of mind than could have been anticipated six months ago. The credit for this fact was due first of all to the League and next to the British Government. Each in its own way had made it clear that the Saar is not a mere Franco-German but a European problem, and even a world problem. The League had acted with great firmness, while the dispatch of British troops showed that Great Britain would never play an isolationist rôle when the peace of the Continent was at stake.

This attitude on the part of both Geneva and London was of good omen for the situation after the election. German pledges of peaceable acceptance of an adverse vote, and German pledges for the safety of the minority in case of a favorable vote, might both, under ordinary circumstances, have been regarded with a good deal of dubiety. But since the recent action Germany realized that she would be held to a strict performance of her promises.

PROSPECTS OF PEACE

The year 1934, which had begun so stormily and which in midsummer seemed so big with possible disaster, ended in calm and with some distinct gleams of sunshine, although as we have seen, the efforts in London to achieve a basis for naval limitation finally broke down. But the European and Asiatic scene was in general more peaceful than for many months past.

The League of Nations, now strengthened by Russia, gained in vigor in recent months and ended the

year with credit, for it succeeded during December in smoothing over the dispute between Hungary and Yugoslavia, and in paving the way for a fair and peaceful plebiscite in the Saar. The discussion of an Eastern Locarno, which has irritated Germany and Poland so much and which seems to contain as many possibilities of evil as of good, almost completely ceased during the month. France and Italy moved toward a settlement of their long-standing differences, which as noted above, was brought about by the accord of Jan. 7.

Hitler, as we can now see, has done a great deal for peace in that he has most effectively united the rest of Europe in a moral league against him and his supposed aims. The United States and the British Commonwealth have gained a much more cordial ground. Secretary Hull's liberal and enlightened policy in Latin America has made the United States friends where it has too long been regarded with dislike and suspicion.

The darkest single spot was the Chaco, where, in spite of the efforts by the League to bring about an armistice the war between Paraguay and Bolivia continued to rage. On Dec. 19 Paraguay, her armies in the full tide of a victorious advance and her government hopeful of landing a knockout blow, rejected the League proposals for ending the conflict.

Distinct progress toward economic recovery could be reported in almost every quarter of the globe, and Sir Arthur Salter ventured the prediction that if no political disasters intervened, the world as a whole might in 1936 reach the same level of economic well-being as in 1928. When recovery arrives, as it promises to, a great many political tensions due to economic tensions may gradually disappear.

Our Foreign and Domestic Policies

By CHARLES A. BEARD

IN the long perspective of history the central event of the month in the United States was not the explosion of any verbal bombs sent up into the political sky by pretended spokesmen of business, agriculture, labor or politics. Viewed superficially, it fell not even within the sphere of domestic affairs, but rather in that nebulous realm called international. Yet in fact the event forecast revolutionary changes in the structure and functioning of powerful domestic interests—if by revolutionary we mean a radical break with the past.

This was the announcement on Dec. 15 that the State Department was maturing a plan for materially modifying the American doctrine of neutral commercial rights in preparation for the next war in Europe or in the Orient. To Americans harassed by the depression in business, by poverty and by unemployment, the proposal seemed remote from earthly affairs, but its significance was not lost on students of American diplomacy, war, foreign policy and naval preparations.

Since the days of Alexander Hamilton, naval bureaucrats, their publicists on sea power, naval-supply interests and exporting capitalists have insisted that the sea lanes must be kept open for American goods in time of war as in time of peace. The right of Americans to sell goods to neutrals and belligerents (excepting that elusive class known as contraband goods), to travel on ships and pursue their private advantages everywhere has long been held up as "a sacred right." To be

sure, it was sadly shattered by the World War, but the "right" has been since reaffirmed by defenders of foreign-trade promotion. It lies at the base of the competition among nations for sea power.

Although critics had repeatedly pointed out the quixotic character of the idea that the American Navy can keep sea lanes open and protect American merchants and capitalists everywhere, all the time, against any power or combination of powers, they had made no headway against the declarations, assertions, claims and manipulations of the main parties of interest. The distinguished lawyer and realist, Charles Warren, had pointed out the peril of "neutral rights" in *Foreign Affairs* for April, 1934, but his cogent argument had seemed to fall upon deaf ears.

Then suddenly, without previous warning, the State Department declared that it was preparing for the President's consideration a program of legislation recognizing the dangerous and fictitious character of so-called neutral rights in war time and placing them under executive control. If reticent about details, the department was clear as to principles. Congress should give power to the President to stop loans to belligerents, put an embargo on munitions export, exclude belligerents from American waters and take other steps in keeping the United States out of economic entanglements. Such principles applied would make it impossible for American merchants, capitalists,

farmers and bankers to exploit foreign wars, involve themselves to the extent of untold billions and then call upon the Government of the United States to enter the war "for the defense of American [their] rights."

Should this legislation be passed much of the ground would be cut from under the feet of the "big navy" advocates and their supporters in the munitions and overseas business. In other words, American interests would cease to be identical with the interests of those who enrich themselves out of foreign wars.

Other events emphasized the significance of the State Department's announcement. At new hearings, beginning on Dec. 4, the Nye committee engaged in investigating the munitions industry made startling disclosures. (See page 593.) Other new facts were introduced by the House of Representatives Committee on Military Affairs charged with inquiring into the War Department. It alleged malfeasance on the part of certain officers in connection with purchasing, and it accused certain private supply concerns of disgraceful profiteering.

Coming at a time when professional patriots were demanding more "adequate defense" and 18,000,000 people were on the public relief roll, such revelations and allegations arrested the attention of the country and received unusual consideration at the hands of the press.

Never in the long history of war and preparations for war had matters of defense and munitions been subjected to such merciless scrutiny. Repercussions were heard in the two great European countries still having some vestiges of popular government, Great Britain and France. The Departments of War and Navy were alarmed by the fear that national defense

might be crippled. From motives of interest and patriotism a demand was made for putting a damper on the Nye inquiry. No one seemed to know where the exploration of private profits would lead.

The tension was made more taut by the formal action of Japan in denouncing the naval pact of 1922, with notice of termination on Dec. 31, 1936. Difficulties were augmented by the Japanese proposal for drastic cuts in all naval outlays on the principle of security for each country within its zone of defense. Since this scheme really meant a free hand for Japan in the Western Pacific and on the Asiatic mainland, it raised again the supreme issue of American domestic politics: Do "recovery" and "prosperity" actually depend upon the promotion of American commercial interests in the Orient and elsewhere by all the engines of State—diplomacy, armed pressure and ultimately war? Thus matters which had seemed to be "foreign" in nature were demonstrated to be first of all "domestic" in nature and to involve the whole policy and program of the New Deal.*

In parallel columns on Dec. 31 *The Washington Post* revealed the state of mind existing in the Roosevelt administration. In one column the administration was represented as holding that "a naval race must be avoided after 1936 and that meanwhile jingoism must be suppressed." In an adjoining column came the statement: "Increases for national defense in both Navy and Army appropriations have been approved by the President and will appear in the budget which has just been com-

*The issues presented by Dr. Beard are discussed at length in his recently published book, *The Open Door at Home* (New York: Macmillan).—Editor, CURRENT HISTORY.

pleted." On the dénouement history waits.

As if indifferent to the fateful character of the munitions controversy and issues of naval policy American business leaders sought to strengthen, during the month, the bonds of the truce between private industry and the Roosevelt administration (see CURRENT HISTORY, January, 1935, pages 459-462).

The National Manufacturers Association at its December meeting employed temperate language in condemning practically every feature of the New Deal. Its new president, C. L. Bardo, was more moderate than his predecessors in speaking of the recovery program. Moreover the association admitted that public relief for the hungry was necessary; it expressed a willingness to approve a "sound" employment insurance scheme; and it found some excellence in a modified NRA (without collective bargaining features) provided business were allowed "to govern itself." If the old creed of "let us alone" obtruded itself in the addresses at the convention of the association and the platform finally adopted, there was verbal recognition of the brutal fact that "six more years of Franklin D. Roosevelt" are probable.

A little more suave in its public manners than the National Association of Manufacturers, the United States Chamber of Commerce continued its efforts on behalf of the truce. Late in December its Recovery Committee called a large number of business leaders together at White Sulphur Springs and sought to ease still further the tension between organized business and the President, while making no noteworthy concessions. For three days they tossed to and fro in a fever. At the end a credo emerged, containing the economic

axioms so dear to American business enterprise. Only one item was strictly new: the Sulphur Springs conference favored keeping the hungry alive by cash relief (dole) rather than by more expensive public works. The former fear of the "demoralizing dole" seems to have disappeared before the spectre of increased taxes.

When the conference program was carried to Washington by the chairman, C. B. Ames (of the Texas Corporation), he was told that President Roosevelt had other engagements. On hearing of the episode the Federal Relief Administrator, Harry L. Hopkins, said to the press: "Don't make me cry; it's Christmas-time." This seemed to be a small outcome of great endeavor.

Prospects for the "truce" were not improved when T. N. McCarter, president of the Edison Institute (see CURRENT HISTORY, January, 1935, page 461) presented the demands of his utility interests at the White House, including an invitation to the government to join him in a legal action to test the constitutionality of the Tennessee Valley development. His ultimatum and appeal received no encomium from the President. On the contrary, the document presented by Mr. McCarter was handed over to the Federal Power Commission for examination, and the chairman of that body took advantage of the occasion to reaffirm the Roosevelt power policies.

The determination of the administration to continue along the lines already laid down was also revealed in a report of the Mississippi Valley Survey Committee calling for a nation-wide electric system, lower rates and more public competition if necessary. Shortly after this report appeared, Mayor La Guardia of New York City, having declared that the electrical rates of local concerns were

too high, announced that he had been promised Federal aid in building a public plant for municipal uses. This was quickly followed by a tender of concessions on the part of New York City and Westchester electrical concerns. Thus one part of the recovery program touching business was evidently beyond the possibility of material modification.

In such circumstances the truce between organized business and the administration did not develop during December into a positive contract between the two parties. The President was genial as usual. He consulted many business leaders privately. He made few repelling gestures. But he gave no unequivocal sign that he would or could yield to the fundamental demands of organized business, which by this time had simmered down to something approximating the following formulas: substantial curtailment of relief expenditures, reducing them to the lowest cash basis; an assurance on the gold standard; abolition of government competition with private enterprise; an early balanced budget; relaxation of control over banking and financing; practical abandonment of the collective-bargaining features of NRA; autonomy for trade associations; and a limitation of Federal expenditures to "constitutional purposes only."

Business insisted that without these concessions there could be no rapid "recovery." But President Roosevelt did not publicly concede that the measures demanded, if possible of execution, would bring about the happy state of prosperity and relieve the government of its grave economic responsibilities.

If at the back of his mind the President was convinced that the directors of private business could, under any conceivable Federal policy of "let us

alone," provide employment for the millions out of work none of his advisory committees entertained such a view of private economy.

The National Resources Board, in its report made public on Dec. 16, presented a documented indictment of the methods employed by private interests in exploiting and wasting the land, water and mineral resources of the country. Having paid its respects to historic practices under the rule of "let us alone," the board advocated a planned and permanent public works program, insisted on the need for intelligent planning for the use of land, water and mineral resources, indicated a number of specific projects requiring immediate attention and recommended the use of the police power to restrain abuses connected with the private ownership of land and resources. In conclusion the board proposed the creation of a national planning commission, standing apart from political and administrative power, authorized to make continuous studies and to report relevant facts and conclusions to the President from time to time.

Whatever the constructive merits of the board's report it lent no countenance to the idea that unleashed individualism could bring about an efficient and economical use of the nation's natural endowment.

The report of the National Resources Board was followed ten days later by a report from the Mississippi Valley Committee of the Public Works Administration on the use and control of waters in the Mississippi River drainage area. In this new document emphasis was laid on planned control of water resources with reference to all their varied uses. Among other things the committee urged the unification of the country's entire supply of electricity under Fed-

eral control, linking publicly and privately owned plants in a system designed to promote economy and stability. It pointed out that more than five-sixths of the farms were without electric services and declared that only under government control and leadership could the electrification of the country be brought about.

Efficient and economical use of water resources, the committee continued, "points to the need for organization of cooperation between the Federal Government and the States in research, planning and administration of programs; uniform laws relating to practices in respect to waters; the organization of intrastate and interstate conservatory districts; and for some Federal authority to promote coordination of projects and plans on a natural regional basis."

Approaching current needs from the standpoint of the natural sciences, President Roosevelt's Science Advisory Board, headed by Karl T. Compton of the Massachusetts Institute of Technology, reported on Dec. 14 in favor of a planned attack by the Federal Government, through study by competent scientists, on the principal technical problems facing the country. Sporadic research by private persons and institutions had evidently left many major problems unsolved, if not untouched.

Some of the issues raised by the report of the board fell within the domain of natural science: long distance transmission of electric power by new processes, the possibility of creating new industries by invention and scientific research, the dissipation of fog by artificial means and the extension of knowledge in meteorology, soil mechanics, geography and geology. Other issues presented by the board involved the industrial and social arts: use of mineral resources,

control of sewage disposal, the social effects of industrial mechanization and natural resources in their economic, social and political relations.

Having laid out significant fields of scientific advance, the Science Advisory Board called upon the Federal Government to take leadership in planning, financing and executing such a national program of research, employing public and private agencies and personalities of competence.

Nor was there in the sphere of practical politics in Washington during December any sign of the abandonment of the idea of collective planning and action so prominent in the policies of the New Deal. A multitude of voices was heard. Conflicts and confusion of opinions were marked. No startling strokes of State were made. But no excursions were made in the direction of laissez-faire.

Ballotings by farmers and pronouncements by the Secretary of Agriculture indicated the continuance of crop control in some form. In the National Recovery Administration appeared no evidences of a desire to return to the individualism of trust-busting. There were numerous controversies in the world of labor relations. Representatives of the Newspaper Guild clashed with counsel for the Newspaper Code Authority at an NRA hearing on editorial wages and working hours. There was unrest in the steel industry. But the National Labor Relations Board ordered the reinstatement of an employe of the San Francisco *Call-Bulletin* who claimed that he had been discharged on account of his activities in the Guild. And on Jan. 1, 1935, it was announced that the Steel Labor Board had ordered the elections demanded by unions in two plants controlled by the United States Steel Corporation.

Although employers stubbornly con-

tested almost everywhere the efforts of Federal authorities to enforce the collective-bargaining features of Section 7a, although legal proceedings were drawn out to tortuous lengths, the National Labor Relations Board offered no signs of surrender.

In the sifting and accumulation of precedents, which is the substance of history, a return to the economy of Andrew Jackson's day seemed more than ever out of the question as the new Congress gathered in Washington.

Such was the uncertainty of things when the Seventy-fourth Congress assembled on Jan. 3. Never before had such an aggregation of unknown qualities and inexperience appeared on Capitol Hill. And, in the contest of wits, leadership in the House of Representatives passed to old members who could not by any stretch of imagination be classed as sympathetic to the ideas of the New Deal.

To the office of Speaker was elevated J. W. Byrns of Tennessee, whose votes in the House over a period of years had generally been on the side of "the power interests," so criticized and mauled now at the other end of the avenue. The position of floor leader was assigned to W. B. Bankhead of Alabama, of whom a political writer in favor at the White House says: "Bankhead is a millionaire, a conservative and an expert on rules. Other than that he has no qualifications for the post."

To clear the way for "the steam-roller" the Democrats abolished the old discharge rule by which 145 members of the House could get a measure out on the floor and substituted a new "gag" rule requiring a majority—218 members—to force a vote on legislation not favored by the inner directorate of the party. The power of the Republicans was also reduced by cut-

ting down their proportion of membership on committees.

The Senate prepared for the session by re-electing Senator Robinson of Arkansas floor leader, Senator Pittman president pro tempore and Senator Lewis whip. From the caucuses no signs of policy emerged. News from the White House was awaited.

On Jan. 4, the message was delivered in the hall of the House of Representatives by President Roosevelt in person. After presenting a number of generalities, including a disclaimer that he intended to impair the profit motive, the President defined the prime objectives of his administration under the head of security: (1) of livelihood through the better use of the natural resources of the country; (2) against the major hazards and vicissitudes of life, and (3) of decent homes. A broad program designed ultimately to establish these three factors of security, the President said, he was now ready to present to Congress.

Then he approached the subject of dealing with approximately 5,000,000 unemployed on the relief rolls. Here the President was emphatic: "The Federal Government must and shall quit this business of relief"; the haphazard business of doling out money and providing trivial jobs must be stopped. About 1,500,000 unemployed, belonging to the group usually dependent on local welfare agencies, he proposed to return to the States, counties, cities, towns, churches and private welfare agencies.

For the remainder, approximately 3,500,000, the Federal Government was under obligations to provide work according to seven principles: All work must be useful; compensation must be above the dole level and not large enough to discourage per-

sons from entering private employment; projects should be chosen with a view to employing directly the largest percentage of labor; projects should compete as little as possible with private enterprise; provisions should be made for tapering off public work as rapidly as private business can absorb the unemployed; the location of projects should be determined with reference to the amount of local unemployment and to the plans of the National Resources Board.

Among the projects suggested by the President were slum clearances which cannot be made by private capital, rural electrification and the elimination of grade crossings. Other issues, such as consolidation of transportation control, renewal and clarification of NRA, and tapering off the credit activities of the government, the President postponed for later communications to Congress.

Turning to foreign affairs, President Roosevelt said: "I cannot with candor tell you that general international relationships outside our borders are improved." He added: "I believe, however, that our own peaceful and neighborly attitude is coming to be understood and appreciated."

The annual budget outlining the expenditures needed to carry on the government and the administration's recovery program was sent to Congress on Jan. 7. Expenditures for the fiscal year 1936—it begins July 1, 1935—were estimated at \$8,520,000,000, of which \$3,938,000,000 was for regular purposes and the remainder for relief and recovery. Although President Roosevelt when submitting the budget for 1935 had said that the budget for 1936 would be in balance, he failed to attain that goal. The new budget showed an estimated deficit of \$4,528,000,000, a discrepancy which, the President said, would raise the

national debt to \$34,239,000,000—the highest figure in American history.

It was true, however, that except for the expenditures to give work to the unemployed the budget balanced. Yet the largest single item in the budget was for unemployment relief. To carry out the plan of work relief discussed in the President's annual message, \$4,000,000,000 was asked—to be "appropriated in one sum, subject to allocation by the Executive."

In defense of the continued and tremendous deficit the President pointed out that "despite the substantial measure of recovery achieved * * * unemployment is still large. The States and local units now provide a smaller proportionate share of relief than a year ago, and the Federal Government is therefore called upon to continue to aid in this necessary work. * * * Such deficit as occurs will be due solely to this cause, and it may be expected to decline as rapidly as private industry is able to re-employ those who are now without work."

Whether revenues will exceed or fall behind the Treasury's estimates will also depend, of course, on the state of the nation's business. Yet in no event will they greatly affect the size of the deficit. This is to be financed not, as Progressives would like, by increased taxation, but by the sale of government securities. On this point many conservatives were ready to join hands with liberals in criticizing the administration's fiscal policies. The President, however, insisted that there was nothing in the budget to affect "the excellent credit of the government," and he declared that if the budget figures were accepted by Congress the government would be carried on "with economy and a high standard of efficiency" at the same time that all proper efforts were used to "prevent destitution."

The Senate Munitions Inquiry

THE special munitions committee of the United States Senate resumed hearings on Dec. 4. (For the first phase of the inquiry see November CURRENT HISTORY, page 200.) Earlier, on Nov. 18, a letter to Chairman Nye from Lamot du Pont, president of E. I. du Pont de Nemours & Co., had been published. Asked for his advice on national munitions policy, Mr. du Pont expressed the opinion that the need for preparedness precluded government ownership of munitions plants—a policy which Senator Nye has consistently advocated. Mr. du Pont recommended instead the elimination of excess profits in wartime and an international agreement to control trade in arms. Better still, he said, would be strict government control of munitions exports.

Ironically enough, the renewed hearings, in which du Pont officials were the principal witnesses, showed that government control of munitions exports in the past had been with little difficulty thwarted and that relations between government officials and arms manufacturers were such that "regulation" was likely to be benign rather than effective. The Department of State had more than once looked the other way in embarrassing circumstances. The War and Navy Departments believed private arms manufacturers were essential to the national safety, and advanced their cause whenever possible. This fact was underscored by an official War Department statement made public on Dec. 21.

The actual testimony heard during the first week was neither coherent nor particularly startling. The Colt

Patent Firearms Manufacturing Company had known in 1908 that a European war was brewing and had made ready to receive orders. The Winchester Repeating Arms Company had done its best to see that "sporting arms and ammunition" were not involved in the international treaty for the supervision of arms signed at Geneva in 1925. Nearly all American munitions manufacturers had, despite the Versailles treaty, been dealing with Germany; "everybody," including European War Departments, knew that Germany was rearming.

Remington was certain in 1933 that "nothing will be done to interfere with business" in Bolivia and Paraguay—this on the promise of "some mighty high officials" in Washington. Du Pont in 1925 had evaded regulations by shipping explosives to Manchuria in double containers, and at another time had delivered gunpowder to China by sending it first to Holland. A Remington official was reported to have said that State Department representatives winked at petty graft in Latin-American arms deals and became indignant only when foreign companies were offering "commissions" to secure important orders. Something of this sort was proved on Dec. 29 when the State Department, acting independently of the Nye committee, made public a series of documents revealing how in 1918 Secretary of State Lansing had interceded on behalf of the Bethlehem Steel Corporation when the British firm of Vickers Armstrong was about to gobble up a fat Brazilian armament contract.

The War and Navy Departments had approved the sale of war materials

to Japan because thereby they might acquire a notion of the degree to which Japan was arming. The War Department had lent du Pont the greater part of its own slender supply of a chemical essential to the making of powder when the du Pont store had been destroyed by fire. At another time the army had lent a gun for demonstration purposes in Holland. General Pershing, it was indicated, had "heartily endorsed" official activities on behalf of the du Pont company.

If these and similar charges placed on record differed but slightly from those set down several months before, they at least showed that the committee had been zealously searching out the munitions industry, as it had been empowered by the Senate to do. Then, on Dec. 12, President Roosevelt unexpectedly intervened by announcing that something ought to be done "to take profits out of war," and appointed Bernard Baruch and Hugh S. Johnson to direct a committee charged with preparing plans.

The idea was not a novel one. It had been put forward by Presidents Harding, Coolidge and Hoover. It had been endorsed by the American Legion. Under Congressional resolution in 1931 a special commission had inquired into the problem of how "to promote peace and equalize the burdens and remove the profits of war." Its report, formulated under the guidance of military and naval experts, with the aid of Mr. Baruch, had placed more emphasis on mobilizing man power and industries for war than on the operation of taking profits out of the munitions business.

The sudden appointment of Mr. Baruch as head of a new committee was, therefore, greeted by Senator Nye as a scheme for closing down the mu-

nitions investigation and forestalling its report by a Baruch-Johnson program more acceptable to the War and Navy Departments and to the munitions industries. Speaking for himself, Senator Nye made the following comment:

"There is not yet of record a full picture of the part which the Army and Navy and other departments of the government are playing with the munition makers in preparing a program for war. It is amazing to me that efforts would now be made to seem to check and halt the work of our committee, which is under instruction by the Senate first to ascertain the facts and then report its recommendations for legislation. * * * Our hearings have revealed that departments of the government are co-defendants with the munitions industries and the profiteers. Instead of letting these departments write remedial legislation, let us first have full knowledge of the part they have played in creating the need for remedy. * * * I cannot but think how unfortunate it is that Dillinger is dead. He was the logical person to write anti-crime laws."

But the inquiry went on, even if it departed from what seemed to be the logical course of procedure. On Dec. 13 were published the actual "profits of war" figures. Manufacturers of powder and other explosives, it was shown, were not alone in making huge percentages. In 1917 the United States Steel Corporation had made 35 per cent on its invested capital, Calumet and Hecla Copper Mining Company 800 per cent, New Jersey Zinc Company 95.9 per cent. The du Pont Engineering Corporation, it was charged, had realized 39,231 per cent profits in connection with a powder plant built with government funds in 1918. Individual gains were also listed; among

those who reported annual incomes of \$1,000,000 or more between 1915 and 1917 were six members of the du Pont family.

The committee's publication of this list of 181 wartime millionaires roused a storm of protest. Indignant explanations were many; person after person claimed that his income had in no way been derived from the munitions industry. Senator Nye and his associates then began a new tack. On Dec. 14 the press received copies of a message from Ambassador Page to President Wilson on March 5, 1917, in which the Ambassador stated that Great Britain might default on her munitions bill and bring on a panic in the United States if the United States did not enter the war on the side of the Allies. Senator Nye accompanied the publication of this message with a statement that his committee intended to investigate the financial operations of the Allies in the United States previous to American participation. Although there seemed to be a general tendency to disregard Ambassador Page's message and to treat lightly the proposal to investigate pre-war munition financing, Senator Nye indicated that he would ask the Senate for money, and authority if necessary, to make the proposed inquiry.

The next subject was the plans for the next war. On Dec. 19, Lieut. Col. C. T. Harris, director of the planning branch of the Army, testified that the entire resources of the nation—physical, industrial and financial—would be mobilized, that prices would probably be fixed and that industrialists and financiers would form advisory committees on ordnance procurement. Senator Clark pointed out the dangers of again calling into such

service men who are financially interested in the manufacture of war supplies. Other commentators declared that under the War Department's plans freedom of the press and the rights of labor would be sacrificed.

On the same day the committee read into the record an account purporting to show that the government could manufacture cartridges at a much lower cost than could private interests. Later Senator Nye introduced letters exchanged by John J. Raskob and a retired du Pont official which he said were "the birthplace and the birthtime of the Liberty League," anti-New Deal organization. On Dec. 21 the committee concluded its hearings.

Thus came to an end the second phase of the inquiry. Since funds had been exhausted, an additional appropriation of \$50,000 was asked. This sum Congress was expected to vote, and the committee made plans for the impending third phase of their work, confident, as Senator Nye had said on Dec. 26, that the administration was willing to see it pushed to the limit.

At about the same time the first positive effect of the investigation became apparent abroad. Prime Minister MacDonald of Great Britain announced on Dec. 21 that a royal commission would soon begin its inquiry into the British armaments industry. Earlier in the month MacKenzie King, former Prime Minister of Canada, had called for an empire-wide investigation, and Pierre Cot, former French Minister of Air, had startled the Chamber of Deputies with a like demand in regard to France. The echoes raised in Washington, it is clear, will not quickly subside.

R. T.

Canada Debates Reform

By J. BARTLET BREBNER

Assistant Professor of History, Columbia University

THE next Canadian general election should be held before September, 1935. Until recently it was expected to be as late as possible so that Prime Minister Bennett might have the honor of representing Canada at King George's Jubilee in May, 1935, but a remarkable outburst of party activity during December seemed to indicate an earlier election. In a series of speeches and announcements the opposing leaders sent up various trial balloons.

Premier Bennett, after making it clear to his constituents in Calgary in November that he would lead the Conservative party at the polls "within a few months," spoke more definitely at Brockville on Dec. 5. His main theme was that the Ottawa Agreements, which he had made in 1932, had saved Canada during the depression and that therefore Canadians should give him a mandate for their revision between now and their termination in 1937. That task should not be entrusted to the Liberals, whose attacks on the agreements in Parliament showed that they would sacrifice empire trade for a commercial agreement with the United States. His other statements were much less emphatic. He himself was "perfectly willing to make a bargain on terms fair and just" with the United States. His government would take action on the report that was to be presented by the Royal Commission investigating business abuses.

Mackenzie King, leader of the Liberal Opposition, who had been notori-

ously loath to announce his policies because public favor for his party was so great that he need not seek any, responded to Mr. Bennett's speech by saying that he had no intention of scrapping the Ottawa Agreements. The Liberal view coincided with that of Stanley Baldwin, that the way to increase international trade was by lowering tariffs. From these remarks and through leakage from the closed meetings of the Liberal Federation during December, the Liberal platform was understood to be: (1) General tariff revision and reduction, probably to the 1930 level; (2) a comprehensive trade treaty with the United States; (3) repeal of the Natural Products Marketing Act and sales of Canadian surpluses for what they would bring in world markets, and (4) conversion of the quasi-independent Bank of Canada into a State institution.

W. D. Herridge, the Canadian Minister to the United States, dropped a stone into this quiet pool of traditional policies by a vigorously worded speech at Ottawa on Dec. 15. In the presence of both party leaders and of other worthies, the reputed Conservative heir-apparent visibly startled Mr. Bennett by coming out flatly, if very generally, for State planning and regulation of economic activity. He said that if complacency and inaction were to continue, "it won't be long before we are on the rocks." He favored a regulated capitalistic system and thought that social planning might be more important than economic and

political planning, but asserted that "there is nothing sacred about the economic system but the welfare of the people." "The automatic kind of progress," he commented, "seems pretty well slowed up."

Mr. Herridge has been one of the keenest foreign students of the New Deal in Washington and he knows from the inside its successes and failures. Perhaps because he is Mr. Bennett's brother-in-law, he succeeded where the evangelistic Mr. Stevens had failed and persuaded Mr. Bennett to alter the tone of his public utterances. Two days later Mr. Bennett spoke in Montreal on the text "the world will never again be what it was; we have come to a parting of the ways."

This speech almost echoed Mr. Herridge's, as it pointed out that capitalism must be reformed for its own salvation. Mr. Bennett maintained the same tone in the first of a series of radio addresses on Jan. 2, in which he said he saw few signs of general recovery, nor could there be permanent recovery without reform. "To my mind reform means government intervention. It means government control and regulation. It means the end of laissez faire." He felt that direct relief was a confession of failure. "If we cannot abolish the dole, we should abolish the system."

The second of the Premier's radio addresses was delivered on Jan. 4 and expanded the ideas which he had set forth earlier. He promised laws for minimum wages and maximum hours, social insurance, higher taxation on earned and unearned incomes, protection of the farmer and reduction of his debt burden. Though such proposals were not new in Canada, they sounded strange coming from Mr. Bennett. The *Montreal Gazette* declared that the Prime Minister had done "vio-

lence to every Conservative principle."

The campaign was too young, the character of the speeches too general and the time for development of inevitable schisms among the Conservatives too short, to make it certain that Mr. Herridge and Mr. Bennett had really committed their party to systematic State intervention. It was ironical that H. H. Stevens, who had been clamoring for the change for a year, had been ousted from the Cabinet by its conservative elements only a month earlier. It was perhaps more ironical that the Cooperative Commonwealth Federation, which has done a great deal to educate the Canadian people along Socialist lines and which would welcome increased State control, was bound to question the sincerity of Mr. Bennett's conversion and to hint at the fascism which it portended.

From the point of view of political tactics, Herridge and Bennett have taken the wisest course, the one for which the discarded Mr. Stevens had acted as the forerunner. Anti-Conservatism seemed practically certain to sweep the Liberals in at a general election and the Socialists would probably be lost in the flood. The Conservatives, to make any kind of fight and preserve party identity if they were beaten, would need something better than trade policies. Their business backers had already gone over to the Liberals. The thing to do was to brand them all with the mark of laissez faire, confident that they would accept it and that the more radical of the Liberals and Conservatives would join the Bennett-Herridge group rather than the orthodox Socialists. Then they could take their pick of Baldwin's policies in Great Britain and of Roosevelt's in the United States to weave with their own ideas into a program for Canadian

reconstruction. It was the sort of move that Senator Borah would have approved in the United States.

While Canadians were adjusting themselves to this party revolution, Sir Maurice Hankey, secretary of the Committee of Imperial Defense, spent a week at Ottawa at the conclusion of his tour of the empire. He held long conferences with the Prime Minister and the Department of Defense. After his departure, the impression spread that the Royal Jubilee next May would be the occasion for imperial conferences on foreign policy in the Pacific, military and naval measures and intrainperial economic policies. That would make it imperative for the Canadian Prime Minister to have a clear popular mandate. In these circumstances, Mr. Bennett was believed to have consented to a general election before the end of April.

CANADIAN BUSINESS PRACTICES

The Royal Commission which is investigating Canadian business turned in December to chain stores and the textile and canning industries. They heard abundant evidence as to the short weight and adulteration in chain stores, which was held to be due to managers having to balance stock without sufficient allowance for wastage and shrinkage. Vigorous denials failed greatly to influence this public impression. But the commissioners were most deeply concerned about the low wages and long hours of store employes and textile workers and the low prices paid to farmers by the canners. A great deal of evidence was elicited as to corporate profits and keen curiosity was shown as to the financial and managerial manipulation of American branch businesses in Canada.

Mr. Stevens, who continued to be active on the commission, announced that he favored the creation of a per-

manent Federal trade and industries commission with powers over merchandising. He and others felt that the weights and measures legislation must be reformed to provide for standard containers. The Combines Investigation Act was the subject of renewed attention with a view to amendment. There was some advocacy of price-fixing for staples, but the most common proposals were for raising the minimum wage levels. The tariff-protected textile industry lost public sympathy when it was shown that low wages, sustained dividends and the drying-up of American imports led to prices much higher in Canada than in the United States.

The Dominion-Provincial conference at which Mr. Bennett had planned to discuss the constitutional revision necessary for the increase of Federal powers has had to be abandoned for lack of Provincial support. It was announced on Dec. 22 that after an interprovincial conference Ontario and Quebec had agreed to unite to secure uniform social legislation.

THE NOVA SCOTIA COMMISSION

The Province of Nova Scotia, quite certain that it had suffered economically through being part of the Dominion, appointed a Royal Commission after the 1933 election to investigate. The report made public on Dec. 7 asserted that from a purely economic point of view secession from the Dominion "would be sheer folly," but demonstrated that Nova Scotia had suffered materially from the Canadian tariff policy of the past fifty years. It found the present Dominion subsidy to the Province to be seriously inadequate. In addition to a number of domestic Provincial reforms it recommended lower Canadian tariffs or draw-back arrangements on materials used in industry, and revision of

the Combines Investigation Act to prevent the larger Canadian industries from exterminating the smaller ones of Nova Scotia.

THE ECONOMIC SCENE

Canadian agriculture a little more than held its own during December because of the continued good market in the United States for damaged grain. The American tariff has been reduced from 42 cents a bushel to 10 per cent *ad valorem* and the Canadian railways have met the closing of navigation by cutting their rates on No. 6 and lower grades of wheat. When American corn costs \$1.10 a bushel not only can 70-cent damaged Canadian wheat easily compete for feed purposes but the whole Canadian grain business improves. During December wheat prices remained from 2 to 5 cents above the pegged levels. On Dec. 24 the United States Department of Agriculture arranged to admit 300,000 tons of Canadian hay and roughage duty free and both Canadian and American railways made special rates.

The newsprint war had not been pressed to the conclusion of a general settlement by the end of 1934. Two mills had cut prices and had not publicly come to terms either with the other producers or with Prime Minister Taschereau of Quebec. American newsprint users had fulminated without visible effect over the rise in prices. Mr. Taschereau held a conference of producers in Quebec on Dec. 19, but they failed to reach agreement, although they promised to meet among themselves and report to him.

The Canadian dollar during Decem-

ber fell almost to parity with the American and had less than 1 per cent premium at the beginning of the year. This was attributed partly to year-end demands for exchange to meet Canadian indebtedness, partly to the decline in sterling, partly to an alarmist article in a popular American weekly and partly to the revelation that the inflation of notes in Canadian circulation had almost reached the \$54,000,000 permitted.

Foreign trade and its favorable balance continued at their high level, but the triangular exchange whereby Canada exports to Great Britain more than she buys and buys more from the United States than she sells was somewhat obscured by American emergency purchases of Canadian farm products. Figures for the first eleven months of 1934 showed some interesting results. The favorable balance (excluding bullion and coin) of \$124,145,000 was only \$3,830,000 greater than in 1933; the total value of foreign trade was 26 per cent greater, while imports increased 30 per cent over 1933 and exports 23 per cent. The amount of duty collected, while 21 per cent above 1933, had not quite returned to the 1932 level. Nevertheless, with an estimated \$100,000,000 of gold produced in 1934, practically all of which was exported, the total Canadian economy seemed vigorous.

Statistics for the economic recession of October, now available, show it to have been quite sharp. During the seven weeks ending Dec. 22, however, the general economic index advanced steadily to reach 102.4 (1926 base), a new high for 1933 and 1934.

Results of the Good Neighbor Policy

By HUBERT HERRING

THE year 1934 closed with definite gains in the relations between the United States and the Latin-American countries. The Seventh Pan-American Conference in Montevideo in December, 1933, prepared the way. It created a fundamentally new atmosphere in which to work out relations of mutual respect.

Secretary of State Cordell Hull, by his candor and conciliatory temper, went far toward banishing stubborn suspicion of American motives. He did much toward persuading the leaders of Latin America that the United States is resolved to cooperate in securing the peace of the hemisphere, sincerely anxious to work for economic betterment, determined to forswear the business of intervention and domination, and more than willing to unite for constructive inter-American reciprocity.

Hard upon Montevideo came the repetition of the Roosevelt "good neighbor" policy and the declaration that hereafter the United States would be opposed to intervention in the internal affairs of the Latin-American republics. The past year has thus witnessed the growth of new confidence in the Washington government, a confidence which opens the highways of cultural and economic interchange and gives promise of substance to the Pan-American ideal.

This new confidence in the United States has been strengthened throughout the year by the vigorous support given by Washington to all moves for settling the territorial disputes in

Leticia and the Chaco. A conspicuous success was registered in the case of Leticia, although the Chaco still confounds the counsels of the nations. The sincere efforts toward peace have served to unite the American republics as they have never been united before. This common enthusiasm and aspiration was given tangible form during the year 1934 in the hearty and widespread ratification of the older peace covenants and of the Argentine anti-war treaty of non-aggression and conciliation. However critics may discount these instruments as effective agencies for peace, they must be welcomed as harbingers of a common American will to peace.

Most impressive in the list of achievements stands the changed attitude toward our nearer neighbors in Mexico, Central America and the Caribbean. The Platt Amendment has been abrogated; we have entered into new trade arrangements with Cuba, and Cuba for the first time in her history has a fair chance of exercising the prerogatives of a free nation, including the right to make her own mistakes. We have withdrawn our marines from Haiti, removing a constant cause of ill-will and contention which for nineteen years has poisoned our relations with all the Latin-American peoples. In Mexico the generous and appreciative attitude of Ambassador Josephus Daniels, though it has on at least one occasion prompted him to make politically inept statements, has served to create better relations. In Central America we have steadily

loosed our hold and given evidence of our intention to desist from the practices that aroused the wrath of their peoples and served to poison the attitude of all our Southern neighbors toward us.

The year 1934 closed with the Pan-American ideal revealing more vitality than it had ever shown. There is less suspicion of our motives, a greater willingness upon the part of Latin-American leaders to explore with us the untried paths of inter-American cooperation. The credit for this happier state must be divided between Franklin Roosevelt and Herbert Hoover. The abandonment of the policy of aggressive control over the destinies of neighboring republics was well under way by March, 1933; the withdrawal of marines had begun; Henry L. Stimson had already pointed out the need of returning to the earlier doctrine of recognition; the policy of leniency toward defaulting Latin-American debtors had already been accepted. Under President Roosevelt these policies were given more definite expression and the air has cleared accordingly. Students of inter-American relations are substantially agreed that 1935 opens auspiciously for the forging of closer ties between the peoples of the Western Hemisphere.

DEADLOCK IN THE CHACO

There was no Christmas truce in the Chaco. It was the third Christmas of that peculiarly cruel and insane little war, and no recess was taken. The Vatican pleaded for cessation of firing for one day, but without success. Two years ago there was a Christmas truce, and Bolivians and Paraguayans had spent the day tossing oranges and pieces of chocolate across the barricades; a year ago there was a longer truce over the holiday season, thanks to the Pan-Amer-

ican Conference in Montevideo. Christmas Eve, 1934, was observed with a midnight mass and the resumption of fighting on Christmas morning.

Paraguay's decisive victories in November, her smashing of the Bolivian Fort Ballivián and the taking of numerous prisoners and supplies gave her the upper hand in the southwest. These victories enabled Paraguay to concentrate her forces in December upon the northern sector, behind which lie the rich oil deposits of Bolivia. December saw Paraguay closing in upon this northern sector both from the south and from the east. On Dec. 7 Fort Samaihuata fell, the Bolivian field base from which General Penaranda directed the defense of Fort Ballivián; on Dec. 8 Paraguayan forces took Forts Picuiba, Loma Vistosa and Irindaque, and on Dec. 12 Bolivia lost Fort 27th de Novembre in the northwest. These victories gave Paraguay possession of all previously disputed areas of the Chaco and put her within striking range of the oil lands.

Bolivia, torn by civil dissension, took energetic steps to meet the threat of further onslaughts from Paraguayan arms. On Dec. 9 a general mobilization of the country's entire man power, including reserves between the ages of 31 and 49, was ordered. Drastic as this mobilization sounds, the actual facts are probably much more sobering. It is reliably reported by recent visitors to Bolivia that mere boys and many older men are doing full duty in the ranks. The reports of forcible drafts upon the Indian population of Bolivia, where the Indians outnumber the whites five to one, are disquieting. The Indians of Bolivia, living in isolation and bitter slavery, now have forced military service added to their burden. They are being taken from their high, cold vil-

lages to the fever-infested jungles of the Chaco, angry, rebellious, and in many instances totally without loyalty to the nation in whose army they are compelled to serve. The Bolivian Government of José Luis Tejada Sorzano expects to raise a virtually new army of over 100,000 men. Its greatest weakness is rooted in the old struggle between Indian and white.

Paraguay in the meantime is exultant, and is in no mood to make terms. The Chaco war furnishes a sobering footnote to Woodrow Wilson's dictum on "peace without victory." Victorious Paraguay is minded to concede nothing. She has tasted blood and seems little disposed to stop short of active invasion of the enemy's territory. On Dec. 18, Paraguay notified the League of Nations of her rejection of the peace plan approved by the League Assembly in November. "In the judgment of our commander-in-chief," said the Paraguayan note, "any one knowing conditions in the Chaco territory will understand the impracticability of the measures of security provided in the plans. * * * It would be absolutely impossible for the control commission to comply with its mission, no matter what means it might use."

In the meantime, Paraguay has paid a frightful toll. Her scant population of 800,000 has been drained of its able manhood. Her victims have been the farmers, artisans and professional men. They have fought Bolivia, three times greater in population, and against an army largely manned with conscripted Indians.

Events in Bolivia throughout December were shrouded by an effective censorship. It appeared clear that Provisional President Tejada was finding life none too simple. The great Indian population has grown increasingly restive, and remains more than

willing to revolt if a leader appears. General José Lanza was reported to have led such a revolt early in December, but without success. It is clear that Bolivian internal morale is shattered and that the present administration does not possess a united following such as President Ayala of Paraguay enjoys.

The peace efforts of the League of Nations continued throughout December. The League Assembly's report of Nov. 24 was, as has been noted above, rejected by Paraguay on Dec. 18, although it had been accepted by hard-pressed Bolivia on Dec. 10. The United States, having taken a stand in November which seemed to exclude her from participation in League plans for the Chaco, on Dec. 7 seemingly reversed this earlier stand. Word was sent to the League that the United States, while unable to accept membership on the advisory committee of the League in Geneva, would accept the invitation to be represented on the neutral supervisory commission which it is planned to convene in Buenos Aires when and if Paraguay and Bolivia accept the League's proposals. Behind these seemingly divided counsels lie the debates between the pro-League and anti-League factions in the State Department. That is a story which cannot be told until the principals involved tell their tale.

CUBA'S ELECTION CAMPAIGN

The Cubans are scheduled to elect a President on March 3. The campaign is being conducted with bombs, castor oil, strikes and ultimatums—all of which, some will say, goes to prove that Cuba is unfitted for self-government, or, as others will counter, that Cuba has so long occupied a servile economic and political status that she must go through a period of chaos before she can learn to rule herself. In

the meantime, there is plenty of disorder.

December saw campaign headquarters established in the Presidential palace, from which the honest but none-too-brilliant Provisional President Carlos Mendieta delivered himself from day to day of generous but unconvincing good advice to his people. In Havana army headquarters, the ubiquitous Colonel Fulgencio Batista cracked the whip and ordered all to behave. In Miami the chief leaders of the ABC—Joaquin Martinez Saenz and Jorge Mañach—set up camp in one hotel lobby, and ex-President Ramón Grau San Martín, leader of the revolutionary party, established himself in another.

The Cuban election is being watched anxiously by Washington and by all interested in near-by Latin-American affairs. Washington has officially washed its hands of all responsibility by the abrogation of the Platt Amendment and by President Roosevelt's fairly explicit promise that we are through with intervention. Fervid hopes are being voiced that Cuba's performance will not too seriously test these pious intentions. The more cynical—both in Washington and in Havana—suspect that these intentions might be modified should civil war break out.

The Cuban leaders present strange contrasts. Carlos Mendieta, the Provisional President, is an honest, rather stolid patriot who is perfectly willing to be President if his country calls him. There is little evidence that his country will call him very insistently. His own party, the Nacionalistas, are behind him, but there is practically no one else. Mendieta seems intent upon giving Cuba a fair election.

Fulgencio Batista, one-time sergeant, now Colonel and head of the

army, comes nearer to ruling the country than does the President. On Dec. 12 he "purified" his army by expelling thirty officers who were suspected of disloyalty to their chief. Three days later he bade political malcontents behave and announced that the army was strong enough to put down any revolutionary attempt. These remarks were directed at Grau San Martín and the leaders of the ABC.

Ramón Grau San Martín, who ruled Cuba from September, 1933, to January, 1934 (without benefit of American recognition), settled in Miami in December. He has the support of a strangely mixed body of followers—many students, professional men and assorted radicals. He is honest, devoted and quite impractical.

The ABC organization, whose leaders, Martinez Saenz and Jorge Mañach, established headquarters in Miami in December, has a rôle difficult to appraise. The ABC was born in the anti-Machado fury, and enlisted the support of large sections of the best men and women in Cuba. It still possesses a large following. In its earlier stages, before the overthrow of Machado in August, 1933, it revealed a mildly socialistic coloring; now, after sharp clashes with Grau, Batista and Mendieta, it seems endued with a frankly Fascist hue. Its paper, *Acción*, is bitterly anti-Mendieta and anti-Batista. On Dec. 12, eight of its editors were kidnapped and compelled to swallow large doses of castor oil. Publication of the paper was suspended by President Mendieta, but the order was reversed. The kidnapping and the suspension were commonly charged against Colonel Batista. The clear policy of the ABC is to wait until all other factions wear themselves down, and then to seize power at one swift stroke.

The rôle of the American Ambassador to Cuba, Jefferson Caffery, is debated. What part, if any, does he play in the unfolding drama? The opposition is certain that he directs Batista's hand, and that through Batista, Washington still rules Cuba. This conviction serves to complicate the Havana scene and to keep alive the old suspicions against the United States.

MEXICAN HOUSECLEANING

In Mexico the reformers are having their day. President Lazaro Cardenas is Spartan in simplicity and in moral conviction. Within a week after taking office he signed a decree closing all gambling places in Mexico. This included the highly ornate "Foreign Club," on the outskirts of Mexico City, built to promote tourist trade, and attracting crowds of many thousands every week; the pretentious "Casino de la Selva" in Cuernavaca; and the resorts of various types which adorn the towns opposite San Diego. The decree revealed the conviction and the temper of Cardenas, for these resorts belong to men who stand close to ex-President Rodriguez and the chief of all Mexican leaders, General Calles. It strengthens the impression that Lazaro Cardenas was really chosen as President and not as the mere puppet of Calles. Cardenas has announced that he proposes to move against the liquor traffic, and discussion is active as to steps he may take.

President Cardenas during December, his first month in office, revealed his zeal for restoring lands to the Indians. On Dec. 8 the Mexican Government took over some 915,000 acres of land in the State of Zacatecas, the property of the International Rubber Company of Delaware. A protest against this action has been filed with

the American Embassy, but it is not generally believed that any effective contest will be made. This move upon the part of Mexico recalls the experiences of 1925-26, when Calles sought to apply the agrarian laws against foreign owners. President Cardenas has also taken steps to assist in the financing of the farmers. The substantial sum of 20,000,000 pesos has been set aside for loans to help farmers stock and equip their farms.

During December there were no important developments in the church question. President Cardenas, in spite of his well-known anti-clerical point of view, is expected to adopt a more conciliatory course than that of his predecessor. There was, on Dec. 12, some governmental interference with the celebrations at the Shrine of Guadalupe. This is the great day of the church year for loyal Indian Catholics and scores of thousands flock to the shrine in memory of the miraculous apparition of the Holy Virgin on Dec. 12, 1531. Any interference with that celebration is bitterly resented. This year it took the form of stopping the Indian dances which are observed each year in the open courtyards around the basilica.

The turn of the year found Mexican business conditions showing decided improvement. The production of metals during the year 1934 had increased generously all along the line—gold, silver, copper and lead; an increase in volume ranging from 5 to 50 per cent and an increase in trading value chargeable to the fact that the Mexican peso has been pegged with the American dollar. Petroleum production was on the upgrade. Total exports for the first eight months of 1934, amounted to 427,000,000 pesos, as compared with 115,000,000 pesos for the corresponding period of 1933.

Aid for Britain's Needy

By RALPH THOMPSON

BEFORE the British Parliament adjourned on Dec. 21 for the Christmas holidays, it approved two important measures affecting the unemployed. One was the draft of the Unemployment Assistance (Determination of Need and Assessment of Needs) regulations, the other the Special Areas (Development and Improvement) Bill. The title of the latter had been amended at the last moment from "Depressed Areas Bill."

The new scales and system of relief worked out by the Unemployment Assistance Board were approved by the House of Commons on Dec. 19. There was no question of amendment, for the Unemployment Act of 1930 provides that the House must either accept or reject regulations. Labor, backed by the Opposition Liberals, moved their rejection on the ground that they were inadequate, but the motion was easily overridden, the government's majority being 197.

Between 3,000,000 and 4,000,000 persons will be affected by the new regulations. Administration will be in the hands of the Unemployment Assistance Board, which on Jan. 7 took over the administration of transitional payments (payments to unemployed insured persons not receiving insurance benefit). On March 1 the board will take over payments to the remainder of the able-bodied unemployed, now on poor relief. The increased annual cost to the State will be about \$15,000,000 on account of transitional payments and about \$40,000,000 on account of the transfer

from local authorities of the poor-relief administration.

Now called the test of needs, the means test will be applied by the Assistance Board's officers. In this regard concessions have been made in the matter of personal savings and in what constitutes "family income" if certain members of a household are employed. The basic scale of payments for relief is somewhat higher than before and will vary with rent paid and with such "available resources" as a household may have. Twenty-four shillings per week (about \$6) for a man and wife will be the average, with additions for each child.

The Special Areas Bill passed the Commons on Dec. 13. Early in November four commissioners appointed by the Minister of Labor reported on Great Britain's "black spots"—areas in the north of England, in Scotland and in South Wales which are in a particularly bad condition. On Nov. 14 the government named two noted industrialists to act as voluntary commissioners to direct the rehabilitation of those areas, and granted \$10,000,000 to begin the work. The bill itself, introduced shortly afterward, defined the scheme.

The work of the commissioners will be supplementary to, not a substitute for, other State activities. Experiments in subsistence production by groups or colonies of men working cooperatively may be undertaken; derelict sites may be cleared; river fronts may be cleaned up. The commissioners have the power to acquire

land compulsorily for land settlement, and may suggest or assist the movement of population to areas in which work may be found.

Other legislation taken up before the Christmas recess included the British Shipping (Assistance) Bill and the Electricity (Supply) Bill. The former, which passed the committee stage in the Commons on Dec. 20, authorizes a \$10,000,000 direct subsidy to tramp shipping in order to combat the effects of reduced freights and foreign competition, and promises loans at special rates to shipowners who modernize their merchant fleets. On the same day the Electricity Bill (which had been accepted by the Lords in May, 1934) passed the Commons. It qualifies and amplifies the provisions of the Act of 1926 by which the Central Electricity Board was set up, and will hasten, according to its proponents, the electrification of the British railways.

THE INDIAN REFORMS

Slowly but irresistibly the scheme of Indian reform moves toward realization. Opponents in both Great Britain and India have protested in vain. The complete text of the bill based on the proposals issued by the Joint Select Committee in November was expected to come before Parliament before the end of January.

On Dec. 12 the House of Commons by a vote of 410 to 127 gave the government permission to introduce this bill. The House of Lords signified its approval a week later. Labor had moved that the measure be based on the alternative draft report of the Labor minority of the Joint Select Committee, which presented terms much more generous to India than had the majority report. But the Commons rejected this motion, as anticipated, the majority being the largest

in the history of the present Parliament, and listened with no greater concern to the attack from the Right led by Winston Churchill. In the final division the government majority was confronted by the curious spectacle of Labor and the die-hard Conservatives standing together.

Defiance from India took the form of bitter editorials in the native press and solemn resolutions from party councils. Meeting jointly at Patna on Dec. 6 the Working Committee and the Parliamentary Board of the Congress party declared that the proposals were "in several respects worse than those contained in the White Paper" and "fraught with greater mischief and danger than even the present Constitution." A resolution of this tenor will be moved in the Indian Legislative Assembly, where Congress hopes by skillful appeals to various factions to rally as many as 75 votes out of the total of 145. Liberal dissatisfaction was given expression by the Council of the Western India National Liberal Association, which declared on Dec. 9 that under the new scheme responsible self-government for India would be "almost entirely illusory."

More favorable judgments came from more conservative sources. In mid-December the conference of Ministers of Indian States, representing native States with a total population of about 30,000,000, declared that the Joint Select Committee's report "constitutes in many ways an advance on the White Paper proposals from the States' point of view, particularly the financial provisions," and that it should, with certain reservations, prove acceptable to the States.

BURMA AND THE REFORM

Since 1923 Burma has had a Constitution similar to those of the Indian

Provinces. Under the scheme of the Joint Select Committee, Burma would be left out of the Indian federation and given a bi-cameral Legislature of its own. An electorate numbering over 26 per cent of the population (instead of 16 per cent, as now) would choose the Lower House. Half the membership of the Upper House would be nominated by the Governor and half elected by the Lower House. Both chambers would be subject to dissolution by the Governor, and other "safeguards" reserved to him would be as great as, if not greater than, those reserved to the Governor-General of India.

Separation has long been demanded by Burmese nationalists, who claim that their country has contributed an undue share of revenue to the Indian treasury and has suffered from the competition of Indian immigrants for many years. They point out also that since Buddhism is almost universal in Burma, there is no communal problem; that "depressed classes" are unknown, and that in other respects, especially social, Burma differs from India. The proposed reforms do not satisfy the more extreme nationalists (who created such an uproar in the Legislative Council in Rangoon last Summer that the Council was prorogued), but since they at least acknowledge the need for a separate Burmese Government they are regarded by many as a first step in the direction of complete home rule.

ANGLO-IRISH TRADE PACT

Pressed by increasing difficulties at home, the Irish Free State has finally made a trade agreement with Great Britain. It was announced in London on Jan. 3 that 1,250,000 tons of United Kingdom coal will be exchanged annually for Irish cattle of corresponding value. This will mean employment for

some 5,000 British coal miners and the raising of Irish fat cattle exports to Great Britain to two-thirds of the 1933 quantity.

Whether or not the new agreement foreshadows a general reconciliation between London and Dublin, it relieves the pressure exerted upon the de Valera government by discontented stock raisers and reverses the trend by which the two countries have drifted further and further apart. Beginning on Nov. 8, all British potato imports from the Free State were licensed; the same day Dublin reduced the imports of assembled motor cars from a normal figure of over 1,500 to 450. On Nov. 10 new high Irish duties were imposed on toilet preparations and certain metal products, and on Dec. 27 coal imports into Ireland were placed under license.

Simultaneously, one of Great Britain's chief terrors—friendship between the Free State and Germany—once more stalked abroad. Mr. de Valera had sent a trade delegation to Berlin during the Autumn, and on Dec. 17 a German delegation had arrived in Dublin to continue negotiations. About a month before, a reputable British lawyer had declared that German ships were unloading mysterious cases at Irish ports and that in all probability Free State territory would be placed at Germany's disposal as an aviation base against Great Britain.

The cattle-raising industry, in the meantime, was causing Mr. de Valera trouble. Fresh from his struggle with those farmers who refused to pay land annuities because their exports to Great Britain had been cut down, he had attempted to relieve the depressed beef market by distributing free meat to the unemployed and destitute. This scheme, which went into effect on Nov. 26, was financed by the government's paying a subsidy

to butchers and fixing a minimum price which butchers and exporters were to pay to producers. The needy were undoubtedly benefited, but ordinary purchasers were forced to pay higher prices for their own supplies while contributing to the assistance of the poor. "Outside bedlam," observed the *Irish Times*, "there was never a crazier scheme."

The new trade agreement, therefore, will relieve the situation at home as well as pacify Great Britain. But on another score the Free State bluntly asserted its independence of London. By a complex and somewhat mystifying measure passed by the Dail on Dec. 19, Great Britain becomes a "foreign" country, and no Irish citizen is any longer, under Irish law, a British subject. The anomaly arises in that Free State citizens will apparently continue to travel abroad with British passports and be entitled to the protection and privileges of British subjects. London contends that the Free State has every right to define Free State citizenship, but cannot deprive a person of his status as a British subject.

In domestic affairs, Mr. de Valera and the Fianna Fail have strengthened their position. Early in December General O'Duffy and Patrick Belton, driven out of the United Ireland party, announced their determination to form a new Opposition group, but no progress in this regard was reported during later weeks. Meeting in Dublin in mid-November the Fianna Fail congress unanimously re-elected de Valera to the party presidency, and on Dec. 4 the party gained seven seats in the triennial elections to the Free State Senate. Thus fortified, Mr. de Valera may choose not to abolish that body, as provided in the bill which, despite the Senate's veto, will become effective within a year or so. A gen-

uine Opposition, however, still exists. Early in December Westropp Bennett was re-elected chairman of the Senate, the Opposition gaining its success when Sir William Hickie, then presiding, cast a deciding vote in his favor.

AUSTRALIAN TARIFF CHANGES

A new customs schedule, based on the reports of the Australian Tariff Board, was introduced in the Commonwealth House of Representatives on Dec. 6. This was the government's solution of the paramount problem in national politics and its attempt to allay the ill-feeling that has characterized recent British-Australian relations. The task at hand was of course nearly impossible; magic alone could satisfy both Australian manufacturers eager to increase their business at the expense of all overseas competitors and British manufacturers seeking to maintain or improve their position in Australia.

The new tariff schedule provides 104 reductions and eleven increases on British goods entering Australia, and 101 reductions and fifteen increases on goods from other countries. Lancashire could hardly be pleased by the large increases on certain cotton products, although the rates on others were reduced. British observers declared that the reductions were illusory.

By the admission of the Tariff Board, the new rates are "adequately protective" under existing exchange conditions. A proviso applied to every British preferential item rules that if exchange falls below the ratio of £125 Australian to £120 sterling the duty will be raised as the exchange rate falls. Thus Australia places on a permanent basis the 25 per cent protection that Australian producers and manufacturers enjoy irrespective of customs duties.

The French Crisis Deepens

By E. FRANCIS BROWN

DESPITE the deepening economic crisis and the continued evidence of civil dissension, France in the closing weeks of 1934 found reason to believe that the time of troubles had passed. Even when viewed superficially, all was far from serene, but the general trend seemed better. For the first time in several years the republic had a government which was ready and able to govern. Parliament, somewhat awed by this unfamiliar sort of Ministry, had begun to function with unaccustomed rapidity. Premier Flandin, moreover, promised that he would shortly make a drive for certain long-needed judicial and governmental reforms. These signs of energy at least gave Frenchmen confidence in the future.

In a series of addresses after taking office Premier Flandin outlined the policy of his government. Economic recovery was the keynote, although political reform was not passed over. M. Flandin, an exponent of economic liberalism, has said that there is no other way of "combating the economic crisis and unemployment than the suppression of all artificially fixed prices, the prohibition of retail prices fixed by the manufacturer and the constant struggle against price-fixing accords and monopolies." At the same time he believes in reducing "the tax burden which in many cases doubles the price to the consumer." The Premier's economic philosophy leads him also to support the classic principles of deflation and a balanced budget.

Though the Ministry's program re-

mained vague, sufficient legislation was pushed through Parliament to indicate the line M. Flandin was following. In the course of a few weeks the budget, which often takes months to pass, was voted as well as the government's controversial wheat and wine bills. As usual the French budget will be out of balance, though the size of the deficit will depend upon the course of French business during 1935. In its final form the budget provided for expenditures of 47,817,000,000 francs and revenues of 46,992,000,000 francs. With deductions for various governmental economies, the estimated deficit was fixed at 517,000,000 francs. Abel Gardey, *rapporteur* of the budget and an expert on financial matters, told the Senate that declining revenues would undoubtedly cause a deficit of about 3,000,000,000 francs, an estimate supported by Joseph Cailiaux. The deficit in 1934, when presumably the budget was balanced, was expected to reach 3,800,000,000 francs.

In the face of great opposition, the government's wheat bill passed the Chamber of Deputies on Dec. 13 by a vote of 387 to 175. During the debate, when it seemed that the bill might be amended out of all semblance to its original form, M. Flandin rose in the Chamber and insisted that the bill be passed as introduced. Otherwise, he said, the Chamber "takes the responsibility for having to go before the country." Such browbeating did nothing for the Premier's popularity with the Deputies, but it did save the important feature of his bill. The law

provides for government purchase and disposal of the existing wheat surplus, financed by a growers' and millers' tax. The guaranteed minimum price of wheat is to be maintained at least until July, 1935, when it is hoped that the disappearance of the surplus will permit the return of a free market.

Two days after the passage of the wheat bill a similar law affecting the wine industry was passed. The law includes provisions for the restriction of local wine sales and for the partial destruction of inferior vineyards.

Since the price of bread has been based on the legal price of wheat, even though this legal price has not been observed in practice, enactment of the Wheat Law opened the way to reduce the price of bread. On Dec. 28 it was announced that reduction would take place in Paris immediately, and in other cities within a few days. Because bread is so large an item in French diet, any lowering of its price represents an important attack on the cost of living.

Premier Flandin's success with the first portion of his legislative program may have renewed confidence in democratic government, but it could not hide the seriousness of the economic crisis. This was dramatized in December by the collapse of the great automobile company, the Société André Citroën. For months it had been known to be in difficulties, but this knowledge did not diminish the sensation caused by its going into receivership. The company—its head has been regarded as the Henry Ford of France—produces about 35 per cent of all French automobiles and employs, even in bad times, about 20,000 workers.

The Citroën failure affected many institutions and individuals. French banks were deeply involved, and as the stock of the company is held wide-

ly among the investing public, many individuals suffered. Shares issued at 500 francs reached 2,140 in 1929, but on Dec. 21, the day the company was placed in receivership, had dropped to 53½. Pierre Michelin of the Michelin Tire Company, the largest Citroën creditor, it was believed, desired to obtain control of the automobile company. Because of the company's exceedingly complicated affairs, its exact condition was uncertain. A balance sheet published on Dec. 22 showed that the loss for the fiscal year ended June 30, 1934, was 83,000,000 francs, and for the first quarter of the present fiscal year 57,500,000 francs.

Less dramatic, but no less important than the Citroën collapse, was the steady succession of statistics that revealed the unhealthy state of French business. Foreign trade, for example, has sagged continually. When compared with the same period in 1933, exports for the first eleven months of 1934 dropped 3.5 per cent and imports 19 per cent. Though there were slight gains in November, 1934, over October, the total for the month of both imports and exports was below November, 1933. As French prices are estimated to be 25 to 30 per cent higher than world prices, the shrinkage in foreign trade is understandable. The loss in imports, mostly in food and raw materials, indicates a decline in purchasing power as well as in French industrial activity.

Unemployment in France has steadily mounted. For the week ended Dec. 8 the official figure was 384,841, an increase of 115,223 over the corresponding week of 1933; by the end of the year the total was 419,129. These figures, though not large to Americans, are unprecedented in France. Even more disturbing was the report that bankruptcies had

reached an all-time high. Meanwhile railway deficits grew and carloadings declined. Industrial production cannot seem to halt the downward trend, the index having dropped from 106 at the beginning of 1934 to 94 at the end of October. The index of stock prices on the Paris Bourse fell from 220 in January, 1934, to 173 at the end of the year. Hoarding, it is reported, has been growing and now amounts to an estimated total of 40,000,000,000 francs. Although the Bank of France tended to lose gold, the operations of the British Exchange Equalization Fund did not permit the loss to become serious.

Though the danger of civil disorder receded after the Flandin Ministry came to power, it has not yet disappeared. The government, however, has sponsored bills to curb street demonstrations and to regulate the sale and possession of firearms. News that a bill empowering the government to dissolve Fascist organizations will be before Parliament at its regular 1935 session led these groups to declare that if necessary they would become secret organizations, "acting with the special means of secret associations."

Temporarily demonstrations have died down, and yet the National Front, representing the Right, and the Common Front, representing the Left, are known to be secretly preparing to struggle for power. Outside both the Common Front and the National Front is the Croix de Feu, a veterans' organization which sympathizes with Fascist philosophy. An executive of the National Front told an American correspondent: "We feel sure that if a danger arises for France the Croix de Feu will be with us in the streets. It has 42,000 active members, well disciplined, blindly obedient to its chiefs. * * * Our chief strength is in our discipline. The men are led by

officers who know how to command. The majority are young, physically fit for action."

Gaston Bergery, a former Radical-Socialist Deputy and now an organizer of the Common Front, has said: "We are not ready for the battle yet. The Nationalists are far stronger, they are disciplined and trained; our men are scattered and unarmed. * * * I am trying to make my comrades understand that since we shall have to fight some day, we ought to train our troops. Yet so far hardly anything has been done in this direction."

The division of public sentiment which the existence of these organizations indicates would at no time be regarded as healthy. When to this is added the emotional instability induced by hard times, the way is cleared for all manner of demonstrations and disorders. To stave off these at the same time that a controversial program is being pushed through Parliament will tax all the ingenuity of Premier Flandin and his fellow Ministers. No matter how skillful the manoeuvring, it is bound to fail unless in the meantime France experiences some measure of economic recovery.

BELGIAN FINANCIAL TROUBLES

Belgium's big-business government wrestled throughout December with the continuing economic crisis. Despite apparently well-founded rumors that devaluation of the currency was becoming increasingly popular with financiers and industrialists, the Theunis Cabinet adhered to a deflationary policy and a defense of the gold standard.

In the Ministerial declaration to Parliament, M. Theunis said that his government's chief effort would be directed toward assuring the stability

of the franc and the restoration of the national economy. Vague promises of unemployment relief and a lowered cost of living were also given by the Premier; yet his first speech to the Belgian Parliament permitted slight hope that the country would be led into new paths.

The new Cabinet immediately requested that the dictatorial powers conferred by Parliament on the previous Ministry be extended until the end of February. After some debate Parliament acceded. In the course of the following weeks the government adopted various measures calculated to relieve the strain on the financial situation.

Camille Gutt, Minister of Finance, went to Paris on Dec. 12 to confer with the French Finance Minister. Officially his purpose was to arrange for the conversion of the French 6 per cent 1923 loan to Belgium, 300,000,000 francs of which is due on Feb. 15. There could be little doubt, however, that M. Gutt appealed for French support of the belga which had been persistently weak on the exchange and the belga did recover after the purpose of the visit had been announced.

A few days earlier the Belgian Government obtained from a Dutch banking syndicate a 4 per cent loan of 1,000,000,000 francs to refund maturing treasury bills.

While these two loans strengthened the position of the belga, steps were taken to repair other parts of the financial structure. The savings banks, particularly those patronized by the peasants and the workers, have been embarrassed. To tide them over their present difficulties the government has borrowed 1,000,000,000 francs

from the currency reserves. Strict regulation of those banks has also been inaugurated through the creation of a commission to supervise their investments. Since the cooperative enterprises carried on by both the Socialists and the Catholics were financially interested in the stability of the banks, the Deputies of those parties gave their support to the measure against Liberal opposition.

Whether or not it is possible to balance the Belgian budget is debatable, but the Theunis Cabinet is paring expenses to the bone for that purpose. All pensions and salaries of public employes have been cut 5 per cent, while appropriations for unemployment relief have been reduced from 950,000,000 francs in 1934 to 600,000,000 for 1935. In partial compensation, however, temporary employment will be made available through a public works program. Various emergency decrees against profiteering in food-stuffs will also, it is hoped, prevent the cuts in salaries and dole payments from bearing too harshly on the Belgian masses.

None of these measures goes to the root of Belgian difficulties which are directly due to the world-wide depression. In this regard it is worth noting that Belgians anticipate some business improvement from the reciprocal trade treaty proposed by the United States. Unless some such arrangement is devised to restore Belgium's all-important exports, it is doubtful whether the country can long adhere to the gold standard. This conclusion is enforced by all surveys of Belgian conditions and by the public declarations of Premier Theunis himself.

Germany's Economic Outlook

By SIDNEY B. FAY

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GERMANY'S economic situation at the end of 1934 was better than most of her critics predicted, and even better than many Germans expected. Analyses of development during the year were mostly favorable in so far as they concerned public finance, credit, industry and domestic trade, but unfavorable with respect to foreign trade, currency reserves, the balance of foreign payments and the service of foreign debts.

This grouping of favorable and unfavorable elements coincides with the official German view that domestic affairs are freely determined by an able and farsighted Nazi government. International economic relations, on the other hand, are hindered, it is said, by "foreign blunderings and malevolence." In reality the distinction is artificial. While the State's credit, currency, tariff and price measures have undoubtedly aided in restoring production and improving the labor market, and consequently in increasing the tax yield, these measures were due to an excess of exports over imports and to foreign interest obligations, with the resultant depletion of the Reichsbank's reserves and the inability to pay debts abroad.

Figures at the close of the year showed that Germany was holding her own or even making a slight improvement. The foreign trade balance for November, thanks to Dr. Schacht's rigid control measures, ended with another export surplus amounting to 10,000,000 marks, as compared with

a surplus of 16,400,000 marks in October and a steadily unfavorable balance in the preceding months. The Reichsbank's gold reserve stood at 78,760,000 marks on Dec. 21, with a ratio to circulation of 2.23 per cent, compared with a low point on June 30, 1934, of 70,000,000 marks—a ratio of 2.0 per cent.

The decline of unemployment, to be sure, has been much slower than in 1933, but that is natural as a rapid reduction in unemployment is easier when the number of unemployed is large. When Hitler took control in January, 1933, about 6,000,000 were out of work. Though the number increased by 86,000 during November, this was the first month to show an increase under Nazi rule and brought the official total to 2,354,000, slightly more than a third of what it had been at the end of January, 1933. The November increase was in accordance with the usual seasonal tendency in out-of-door occupations. The increase was kept down in part by giving 16,000 emergency relief employment, which in recent months had been steadily reduced.

When 1934 is compared with 1933 the pace of industrial recovery seems slower and less uniform than in 1933, largely because of the setbacks in some branches of consumers' goods and the restrictions on raw material imports. But the improvement in retail trade was greater, the Christmas trade of 1934 being much better than that of 1933. This improvement re-

flected a continuing increase in national income from salaries and wages. In the third quarter of 1934 such earnings were estimated at 7,600,000,000 marks—the level of early 1931. The increase in total earned income, however, was less than the increase in the number of earning persons. Christmas business was reported as relatively most active in agricultural centres. This agreed with the official statement that greatest wage increases were in rural regions.

While wages and salaries went up, taxes and the cost of living also rose, and probably at a more rapid rate, so that the workers had no more or even less to spend. But the funds were more equally distributed. There were fewer rich or even well-to-do. The *Frankfurter Zeitung*, comparing German domestic prices at the end of 1934 with international prices for eleven important food products, found that the smallest disparity to Germany's disadvantage was about 100 per cent, whereas some German prices were three and even four times the foreign prices. The average price for all eleven products in Germany was 260 per cent of the world market average. Dr. Goerdeler, Reich Commissioner for Prices, was attempting with dictatorial powers to fix prices at levels fair to both producers and consumers. Early in December he annulled as unfair the higher prices fixed for fish by the Reich Nourishment Corporation. This was his first price annulment, and was significant of his great power, as the Nourishment Corporation had hitherto exercised autonomous price-fixing powers over food-stuffs.

The most important fact about German economic life at the close of 1934 was its strict regimentation. No one could engage in a new business without special government permis-

sion; prices were controlled, profits limited, supplies regulated and output largely determined by government authority—and this meant Dr. Schacht, the economic dictator and President of the Reichsbank, or Dr. Goerdeler, Reich Commissioner for Prices. The situation may be temporary, or it may be the basis of a new social order. From the viewpoint of the world at large the system is not healthy but it is helping Germany through a period of economic crisis, and has therefore been stoically accepted by Germans.

While Germany was thus slowly recovering, there was no reason to expect that the recovery would be sufficient to affect Germany's ability to pay foreign obligations. The limited and discriminatory service on the Dawes and Young Plan loans seemed likely to continue for countries, like the United States, which do not receive from Germany more goods than they send her.

After a considerable shake-up in the directorate of the Hamburg-American and North German Lloyd shipping companies, it was announced early in December that the union between them which was brought about in 1930 was to be dissolved. These two great German shipping companies operated 70 per cent of the entire German mercantile marine. Herr Essberger, speaking on behalf of the Minister of Communications, explained that the 1930 amalgamation of the two companies had not fulfilled expectations. Experience has shown that these vast shipping concerns are less able to weather storm and stress than well-founded smaller ones. German tonnage, Herr Essberger said, had declined from 4,200,000 tons before 1930 to 3,400,000, or one-twentieth of the world's tonnage. While the two main companies will be continued, five

smaller companies will be created, mainly to take charge of freight and tramp service, in the hope of winning back trade which has been lost by Bremen and Hamburg. The first large merchant vessel built under the National Socialist régime, the 18,000-ton North German Lloyd steamer *Scharnhorst*, was launched at Bremen on Dec. 14. The new vessel is to be placed in the Far Eastern service.

GERMAN POOR RELIEF

"No one shall suffer from cold or hunger in Germany!" was the watchword which Chancellor Hitler gave out in October, 1934, when renewing the so-called "Winter Help Work." In the preceding Winter of 1933-34 this organization collected nearly 400,000,000 marks for the aid of the poor in Germany, in addition to large quantities of coal, clothing, potatoes and other food. It employed many thousand voluntary workers and gave aid of some kind to 18,000,000 persons. During the Winter of 1934-35 the Nazi government aims to surpass the aid given during the preceding Winter, in order to show the solidarity of the whole German people and to make it clear that the Nazi régime is solicitous for the poor.

The collection of funds for the Winter Help Work takes several forms. Beginning with the first Sunday in October, and continuing on the first Sunday in every month through March, there is a compulsory "one-dish meal." This may be eaten either at home or in a restaurant, but in no case is the meal to consist of more than one dish with meat before 5 P. M. It is not to be of more than 50 pfennigs in value, and the difference in cost between this and the regular normal meal is turned in to swell the Winter Help Fund.

Another form of collection is the

system of "voluntary" contributions from industrial and commercial firms. Presumably it is good business to contribute generously to the welfare work so emphatically endorsed by the Fuehrer and his Nazi associates.

The most conspicuous form of raising funds, however, is by solicitation on the streets. As a further emphasis to the campaign, Dec. 8 was proclaimed the "Day of National Solidarity." On that day between 5 and 7:30 P. M. all the highest functionaries in Berlin took tin boxes and solicited contributions on the streets of the capital. Dr. Goebbels and his wife were the main drawing cards in the neighborhood of the Potsdamer Platz. General Goering, Dr. Salm, Mayor of Berlin and probably the tallest man in the city, and Dr. Otto Meissner, chief of Chancellor Hitler's Ministry, reaped large hauls on Unter den Linden. The largest net was cast by Dr. Schacht, who was assigned to canvass the Stock Exchange; here notes of large denominations flowed into his box, and each contribution was acknowledged with a Hitler salute. Prominent officials in the rest of Germany conducted a similar campaign. This single day's work netted the Winter Help Fund 3,500,000 marks, or about \$1,344,000.

CHANGES IN PERSONNEL

Though the triumvirate of Hitler, Goebbels and Goering remains in power, with great authority in technical economics delegated to Schacht and Goerdeler, a number of leaders of the second rank disappeared from office during the last days of 1934. Count Ruediger von der Goltz resigned his duties as Economic Commissar early in December. He said he had accomplished the task for which he was appointed, but it was commonly believed that he was forced out because he was opposed to Chancellor Hitler's decree

which turned the functions and property of the labor organizations over to the German Labor Front.

Dr. Gottfried Feder was relegated to the retired list. He had achieved fame as the author of the "unalterable" twenty-five points which constituted the original Nazi program of 1921 and stood for radical economic reform, including autarchy, the abolition of "interest slavery," nationalization of the banks and in general the ideology of "blood and the soil." Much of this program has been quietly discarded, and as points have been dropped Dr. Feder has descended to less important posts. From being Adolf Hitler's chief adviser in economic matters before 1933 he became in turn Under-Secretary to Dr. Schmitt in the Ministry of Economics, Commissioner for Suburban Land Settlement and a professor; he was finally retired altogether.

At the opposite wing from Dr. Feder in economic thinking were two famous industrialists who have also retired from active office under the Nazi régime. Dr. Krupp von Bohlen und Halbach resigned as head of the Reich Estate of German Industry in order to devote more of his time to the management of the great Krupp iron and steel works. His place was temporarily filled by Herr Albert Voegler, the head of the German Steel Trust. Herr Fritz Thyssen, who helped finance the Nazi movement into power, has gone to South America on "a prolonged inspection of his South American interests."

These changes were probably related to the increased powers that have been acquired by Dr. Schacht, Dr. Goerdeler and Dr. Robert Ley, the chief of the German Labor Front. Dr. Ley, in a leading article in the *Voelkische Beobachter* on Jan. 1, 1935, virtually erased one of the cardinal

twenty-five points of the original Nazi program. He said: "I feel called upon to take issue with the idea of the organization of estates as it is found in Professor Ottmar Spann's teachings, in the Italian corporation system, in the Austrian estates system and in the demand for 'organic reconstruction' found in the twenty-fifth point of the National Socialist party program and as it has been at least in part realized in the Labor Front."

In an effort to clean up moral conditions in public baths and fashionable bars in the West End section of Berlin the secret police carried out a number of raids early in December. The government declared that the arrests had no political significance.

GERMAN MUSIC TODAY

Music during the past two years has suffered greatly in Germany because of the anti-Semitic campaign which has forced so many artists out of the country and condemned the music of Jewish composers, even of Mendelssohn. On Dec. 4 Dr. Wilhelm Furtwaengler, the most distinguished conductor in Germany, resigned his positions as deputy president of the Reich Chamber of Music, director of the Berlin State Opera and conductor of the Berlin Philharmonic Orchestra. Dr. Furtwaengler had long been criticized by friends of music who had left Germany for continuing in his post. The immediate cause of his resignation was a Nazi press attack upon him because of his courageous and judicial defense of the famous modernist composer, Hindemith.

Herr Hindemith had for some time been a target. It was alleged that he had Jewish blood, that he had played in a quartet two members of which were Jews; that he had made phonograph records with Jewish musicians,

and that he had composed operas to objectionable librettos. Dr. Furtwaengler defended Hindemith in a long letter to the *Deutsche Allgemeine Zeitung*, contending that whether one liked Hindemith's music or not he was an eminent composer and that it was an unjustifiable act of "political denunciation" to attack him for his association with Jewish musicians. A war of words between the musical critics who supported or denounced Hindemith resulted. The merits of his music tended to be lost sight of beneath the question of his personal attitude toward the recent events of history.

Instead of silencing the attack on Hindemith, Dr. Furtwaengler's letter of defense turned the attack against himself. It became so unbearable that he decided to resign his positions.

AUSTRO-GERMAN RELATIONS

Austria's relations with Germany had somewhat improved by the opening of the new year. On Dec. 2, 1934, the Vienna press censor issued a secret order that in the future no Austrian newspaper should publish any information concerning German rearmament, and that no comments, unless pro-German, should be made on the Saar question. The next day the clerical *Reichspost*, which had maintained a steady propaganda against German interests in the Saar, swung around completely in an article which declared: "The Saar is German and belongs to the Reich. This fact is so indisputable that the vast majority of Frenchmen never doubted it in earnest." It styled the 1919 Saar settlement "a disorderly achievement of the dictated peace drawn up under the influence of war mentality" and termed the reacquisition of the Saar by Germany "a return to the natural, just and reasonable order."

It was also announced that 167 branches of the German Gymnastic Association had been allowed to reopen in Austria. This body was one of the chief channels through which German Nazi propaganda had been carried on. These facts and the mysterious arrival in Vienna on the same day of two diplomatic agents from Berlin gave rise to rumors that some secret understanding had been reached between the two German powers—that Austria's favorable attitude toward the Saar question was accompanied by a promise of Germany's renunciation of designs on Austria, and by a promise on Austria's part that she would recognize Germany's right to rearm if she returned to the League of Nations.

Franz von Papen, German Minister to Austria, has arranged for an exchange of Austrian milk and cheese for German coal. On Dec. 15 the Tyrol began to ship 7,500 gallons of milk daily into Germany, to be paid for by importations of German coal. On a similar basis it was agreed that Germany would take seventeen carloads of cheese immediately, to be followed by later shipments in return for more coal.

By special agreement with Chancellor Schuschnigg, an open revival of Nazi anti-Semitic propaganda in Austria was permitted by the publication of a new anti-Jewish newspaper, the *Deutsche Arbeiter Presse*, edited by Dr. Walter Riehl. This caused jubilation among the Nazis and consternation among those who believed that the policy of the late Chancellor Dollfuss and his successors was to build up a bulwark in Europe against Nazi doctrines.

On the other hand, the Austrian decree banning the circulation of all German newspapers was extended for three months after its expiration on

Dec. 12, thus frustrating one of Herr von Papen's aims. In the latter part of December many Nazis were arrested in various parts of Austria on suspicion of conspiring against the Schuschnigg government.

Austrian Nazis who went to Germany with the purpose of supporting the putsch against Chancellor Dollfuss last July caused some trouble in Germany. These Austrian legionaries, who were supposed to have been disarmed and dispersed by the Hitler government and who originally numbered some 30,000, had been mostly sent to North Germany. But on Dec. 26 some 150 of them were involved in a serious clash with Bavarian Nazis at Fuerth and at Aibling, not far from the Austrian frontier. One man was killed and nine severely injured.

Statistics published early in December showed the total punishments inflicted on the Social Democrats in connection with the February fighting and on the Nazis who took part in the putsch against Dr. Dollfuss. Socialists accused of being involved in the February civil war numbered 1,182. Eleven were hanged and the rest were sentenced to a total of 1,339 years' imprisonment. After the futile attack on the Dollfuss régime and the July civil war there were 246 trials, in which 752 Nazis were accused. Of these 31 were sentenced to death and 13 of this number were hanged; 12 received commutation of sentences, and decisions in the cases of 6 were still pending; 42 were sentenced to life imprisonment. On the rest of the accused, sentences totaling 1,967 years were imposed.

President Miklas included in his Christmas amnesty 170 political prisoners—mostly Socialists and Nazis; 2,000 investigations into criminal cases pending against political opponents of the present régime were also

canceled. The President stated that the calm prevailing in the country justified the large amnesty, but at the same time he stated that if any subversive movement should become imminent the government would again take severe measures against its political opponents.

During December, Dr. Karl Buresch, the Austrian Minister of Finance, arranged for the conversion of Austria's international loan of 1923, amounting to about \$120,000,000, from a 7 per cent rate to a new loan for twenty-five years at 4½ per cent. The Austrian short-term indebtedness was so much reduced that the Standstill Agreement was also terminated. According to an announcement from Washington on Dec. 21, Austria has been removed from the ranks of debt-defaulting nations, thus making possible the sale of Austrian securities in the United States.

Austria had a deficit of 110,000,000 schillings for the first ten months of 1934, as compared with 82,000,000 for the same period of 1933. Expenditures for national defense and public security were increased by 52,000,000 schillings. It was hoped, however, that the saving effected by the conversion of the League of Nations international loan and improved economic conditions would make possible the balancing of the budget in 1935. Austria's balance of trade became less unfavorable during 1934. The excess of imports over exports, which amounted to 1,000,000,000 schillings in 1929, to 613,000,000 in 1932, and to 376,000,000 in 1933, was reduced during 1934 to less than 300,000,000 schillings. The national bank increased its gold holdings during 1934 by 53,000,000 schillings; its holdings of foreign exchange rose from 13,000,000 to 45,000,000 schillings. The note circulation remained unchanged.

Italy's Battle for the Lira

By WILLIAM E. LINGELBACH

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THE mobilization of all Italian foreign credits was ordered on Dec. 8 following a Cabinet Council at which Premier Mussolini presided. This action was taken as part of a determined effort to steady the lira and maintain the gold standard.

Heavy withdrawals of gold on foreign account during the past twelve months, because of the unfavorable trade balance, increased so rapidly in November and early December that the lira fell to its low point for the depression. The Bank of Italy lost about 1,000,000,000 lire of its gold reserve during the year in addition to a drop of 250,000 lire in foreign exchange holdings. Italy was further embarrassed by her inability to draw on her substantial international credit balance because of exchange restrictions in other countries. As a result the accelerated withdrawals of gold at the beginning of December seriously threatened the gold parity of the lira.

Several drastic decrees were promulgated for the mobilization of foreign credits. All banks, corporations and other legally constituted financial bodies were ordered to turn over their foreign credits to the National Exchange Institute and, along with private citizens, declare to the Bank of Italy all foreign or Italian securities held by them, even if deposited abroad. The government also assumed the right to dispose of these foreign credits at current quotations should the demand for gold make such a step desirable.

Tourists and other foreigners in Italy were unable to get lire on letters of credit, drafts and travelers' checks until Finance Minister Guido Jung issued a special order releasing funds for the purpose.

Heavy penalties for infringement of the regulations, even to the extent of exile to the penal islands, are provided. Criticism of the government's financial policy or speculation in lire by Fascists will be punished, according to an order of Achille Starace, by expulsion from the party. These measures ended the storm of disapproval in Italy itself, but they could not still the criticism abroad, where the decrees are generally regarded as dangerous, ill-advised and perilously near to indirect repudiation of the gold standard.

The government's action may indicate a change in the monetary and economic policies of Italy. Early in December Premier Mussolini hinted at such a possibility when the Bank of Italy raised its rediscount rate from 3 to 4 per cent. A decree of Dec. 19 applied the principle of the earlier decrees to all payments abroad and to the taking of money out of the country. Persons leaving Italy are restricted to 2,000 lire in denominations of 100 lire or less.

The militarization of the Italian population was carried a step further during December by the reorganization along military lines of all government employes. The upper group of the hierarchy is organized in three

divisions on the basis of previous academic or practical training, and all wear the special insignia of their rank. Under the leadership of General Grazioli, the national inspector of military instruction, and with the cooperation of the Fascist militia, a vigorous propaganda to make Italians military minded was inaugurated. A royal decree published in the *Official Gazette* in December prohibited the printing and publication of any information even remotely concerned with military matters. Without previous authorization by the censor, no report of the movement or disposition of troops, the fleet or air forces may be published.

The Italian merchant marine is being rebuilt in accordance with a comprehensive government plan. Close integration of merchant shipping with the navy is anticipated and replacement is specifically provided for ships trading between Italy and the ports of the Black Sea, the Eastern Mediterranean, Egypt and China. Three groups of vessels are to be constructed, ranging from 3,500 to 18,000 tons, with a speed of from seventeen to twenty-five knots. The faster vessels are designed particularly to meet foreign competition in trade with the Far East. These plans, coupled with the intense activity in the development of the air force and the laying down of the keels for two 35,000-ton super-dreadnaughts, indicate a determination to back up national policies by force at sea as well as on land.

The Corporations of the Industrial Workers have adopted a forty-hour week to absorb chronic unemployment. The Corporative State is also developing a scheme of social insurance for those workers on whom the hardships of the shorter working week fall. This plan provides for a contribution of 1 per cent of the

weekly wage by all industrial workers and an equal amount by the employers.

Pope Pius on Dec. 31 proclaimed a virtual dictatorship for all civil affairs in the Vatican State. The decree invests Marquis Serafini with absolute legislative powers for a period of six months. According to the official organ, *Osservatore Romano*, the Pope confers upon the Marquis Serafini not only the power to reorganize the civil and administrative offices but to modify the civil Constitution along the lines laid down in the papal decree. The explanation is found in the fact that the vast work of the papal State calls for a thorough modernization of the civil departments.

THE REACTION IN SPAIN

Restoration of law and order and the liquidation of the recent rebellion continued to occupy the attention of the Spanish Government during December. The state of siege which expired on Dec. 7 was renewed for another month. Effective opposition in the Cortes does not exist. The parties of the Left are not only completely outnumbered, but discredited. About forty Deputies under the leadership of Señor Maura and ex-Minister Martinez-Barrios took their seats in the Assembly, but an almost equal number of Moderate Socialists, following the lead of Ferdinando de los Rios, continued to absent themselves. The other Socialist Deputies, some twenty or more, were either in prison or in exile. Among the former were ex-Premier Azaña and the energetic Socialist leader, Caballero, while among those in exile was the fiery ex-Minister of Justice, Andalecio Prieto.

In Catalonia a Commissioner General, assisted by an Advisory Council, was given full control of affairs for three months. All administrative poli-

cies for Catalonia are being directed from Madrid. Separatists and Liberal elements have been ruthlessly suppressed, and many intellectuals are under arrest, awaiting trial. Liberty of speech and of the press was suspended, heavy fines were imposed on editors and journals, while raids and arrests by the police continued during the month.

When the Tribunal of Constitutional Guarantees decided that it had jurisdiction to try President Companys and other members of the Catalan Government, a member of the tribunal was sent to Barcelona to collect evidence for the government's side of the case. Ex-Premier Azaña's request for provisional release was refused despite a declaration that he had strongly opposed the separatist revolt both because he believed it would injure the autonomy statute of which he was the author and because, as a Castilian, he was not in favor of a federal republic. The protest of intellectuals against his arrest and detention without the presentation of definite charges was suppressed by the censor, while the Cortes ordered the public prosecutor to bring the ex-Premier to trial on the charge of having taken part in the uprising. But the Supreme Court on Dec. 28 decided that there was not sufficient evidence for an indictment and ordered his release. Meanwhile the establishment of concentration camps was being considered.

In Asturias the work of repairing the recent devastation has been started with emergency appropriation voted by the Cortes. The new Governor General, Don Onofre Sastre, has announced the partial reopening of the mines under the protection of the civil guards, more extensive reopening being purposely delayed until the authorities are assured that the miners are completely disarmed. Ra-

mon Gonzales Pena, Socialist Deputy and leader of the uprising in Asturias, was discovered on Dec. 3 and arrested in the little Asturian town of Ablana. As the owner and editor of *El Avance*, he was the most effective and dangerous opponent of the government and the chief cause of the bitter resistance of the population of Asturias to the national forces. Forty others were arrested at the same time. The government now has strong hopes of recovering the remainder of some 40,000,000 pesetas taken from the Bank of Spain in Oviedo at the outbreak of the revolt. According to a recent official estimate, the property losses alone amounted to over 78,000,000 pesetas, not including the losses incurred as a result of the cessation of all economic life for a period of three weeks.

In the Cortes the most important question under consideration during December was agrarian reform. Minister of Agriculture Jimenez Fernandez repeatedly urged the need of speedy action, urgency being particularly necessary in the Province of Estramadura, where there are more than 35,000 impatient *yunteros*—agricultural workers with small establishments but without land. He stated that both the workers and the proprietors favored the bill providing for the gradual acquisition by the peasantry of the land they cultivated. The proposal of Gil Robles, the militant and youthful leader of the Catholic Agrarian bloc, to confer dictatorial powers in economic matters on the Prime Minister, with a view to balancing the budget and bringing about the necessary economic reforms, was unhesitatingly rejected by Premier Lerroux. In the meantime plans of the Monarchists and other extreme Rights to set up a Fascist corporate State made some headway and many Republicans expressed concern over

the possibility of a restoration of the monarchy.

PORTUGAL'S DICTATORSHIP

Premier Salazar, Portugal's civilian dictator, has not only accomplished remarkable financial and economic reforms, but for a year or more has been quietly paving the way for the establishment of a government which, he claims, will combine many phases of democracy with some of the features of the corporative State. The Constitution of 1933, which was endorsed by a plebiscite, will be replaced. According to the new plan, the President and the dictator will be assisted by two Assemblies, one to pass on legislation and the other

to advise on economic matters. Both are to be chosen for four years, the first by direct election by heads of families, the other through a system of guild or syndical representation. Local government, too, is to be based on representatives of heads of families—men or women.

Only the National Union party, which is dominated by the government, submitted a list of candidates for the Assembly, Socialists and Republicans refusing to participate. A somewhat similar situation exists in regard to the second body, since labor has refused to join the unions organized by the government. For the present, therefore, the members will have to be appointed.

The Growth of a Balkan Entente

By FREDERIC A. OGG

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SPEAKING at the conclusion of the conference of the four members of Balkan Entente—Greece, Rumania, Yugoslavia and Turkey—at Ankara in November, Nicholas Titulescu, the Rumanian Foreign Minister, declared: "No longer will the intrigues and rivalries of the great powers be able to pit one of us against the other and thus plunge this part of the world into a war which means a greater conflagration than that of 1914." This assertion sounds extraordinarily optimistic; yet there can be no reasonable doubt that the Balkan Entente shows capacity for development into a new "great power," just as in effect has the considerably older Little Entente of Czechoslovakia, Yugoslavia and Rumania.

As the chief political problem in the

Balkans is still the relation of Bulgaria to its neighbors, the Entente created by the pact of February, 1934, will remain incomplete so long as that State holds aloof. The Sofia government has so far shown little disposition to join. In the first place, each of the present members of the combination took territory from Bulgaria at the close of the World War; that in itself sets up a considerable barrier. In addition, the nation desires an outlet on the Aegean Sea, but the promise of an economic port with special transit facilities through Greece, without the cession of territory, has thus far not been met. After all, the four States that have affiliated had a good many interests in common when the league was formed. The real test of Balkan possibilities of cooperation will

rather be the ability of these States to draw into the circle a neighbor which has been at odds with all of them.

Of late, and chiefly under the inspiration of M. Titulescu, the governments of the Entente have adopted new tactics. Instead of pressing for Bulgaria's immediate adherence, they have begun to treat the country as if it were already a member. Psychologically, this is felt to be a wise move. If Bulgaria could be convinced that her neighbors were not arrayed against her, she might, it is suggested, relax her resistance and gradually become accustomed to considering herself a part of an all-inclusive Balkan family. One practical move of at least symbolic importance has been a recent agreement to install a ferryboat service across the Danube for trains between Bulgaria and Rumania.

NEW YUGOSLAV CABINET

Although the League settlement of the Yugoslav-Hungarian dispute was accepted by the Yugoslav press and public as satisfying Yugoslav claims, the affair stirred the country's politics deeply and led to a change of Cabinets. For a time it was believed that the deportation of Hungarians, commonly admitted after the event to have been a mistake, was the work of General Pera Zhivkovitch, Minister of War and former dictator. Subsequently, however, it became known that Premier Nikola Uzunovitch was responsible, with a view, it was charged, of embarrassing Foreign Minister Boske Yeftitch at Geneva.

Bad feeling had long existed between the Premier and the Foreign Minister. When M. Uzunovitch issued a communiqué upon M. Yeftitch's report of the League's handling of the dispute, he thanked Yugoslavia's foreign allies for their "magnificent sup-

port" but dismissed M. Yeftitch's part with the cold statement that his report had been "duly noted." After an indignant demand that the wording be modified was flatly refused, M. Yeftitch with one or two sympathetic colleagues resigned.

Since the assassination of King Alexander on Oct. 9, Prince Paul, leading member of the Regency, had favored the formation of a "national" government. The opportunity arose when the rupture caused by the Foreign Minister's defection led to the resignation of the entire Uzunovitch Cabinet. At noon on Dec. 19, M. Yeftitch accepted a commission to form a government on a broad national basis and immediately started conferences with political leaders, including the Slovene Father Anton Koroschetz. But there were difficulties. Several former members of Parliament refused to confer unless given guarantees of a return to the democratic Constitution, immediate freedom of the press, freedom of political discussion and a general election in the Spring. Many of those consulted declined to commit their parties, although this was out of line with the Prince Regent's ideal of a national concentration Cabinet.

As a result when the new Cabinet was finally formed on Dec. 21 there were only two former members of Parliament in it—Milan Stoyadinovitch as Finance Minister and M. Voyich as Minister of Railways—and even they were selected as experts rather than as representatives of their parties. Of the fourteen persons included nine were Serbs, one was a Moslem, three were Croats and one was a Slovene. Far from being an approach to the constitutionally minded government that had been hoped for, the group showed definite nationalist and Fascist tendencies. As

no member was more than fifty years old, it was aptly dubbed "a government of the younger generation."

Premier Yeftitch, who retained the Foreign Ministry, was credited with a desire to build a party of his own, drawn in no small part from former followers of ex-Premier Uzonovitch and based perhaps on a combination of Fascist groups which have recently united as the Yugoslav People's Movement. Meanwhile the new Ministry was expected to adhere to the policies of its predecessor and to continue to work with the existing sham Parliament. One of its first acts, however, was to grant a full pardon to the imprisoned Croat leader, Dr. Vladko Matchek. In some quarters this was construed as an evidence not only of the increasing influence of Prince Paul but of a desire of the new Ministry to approach the Croatian question in a conciliatory spirit.

POLAND'S FOREIGN POLICY

The reopening of the Polish Parliament early in December, after a recess since March, 1934, was the signal for a lively attack by all Opposition parties upon the government's foreign policy. Much concern was expressed over the alleged reticence of Colonel Beck, the Foreign Minister, and over the recent visit to Warsaw of Premier Goemboes of Hungary.

The general points of attack were: (1) Poland's steady drift toward Germany and away from France since the signing of the non-aggression pact of January, 1934; (2) the uncertainty surrounding Poland's relations with Czechoslovakia and Rumania; and (3) the decision announced at Geneva on Sept. 13, 1934, that the Polish Government would no longer cooperate with international bodies in carrying out the requirements of the minorities treaties. During the thirteen years

since the conclusion of the Franco-Polish alliance there had never before been a concerted attack on the government's foreign policy, because it had been almost universally accepted that its essential basis was the maintenance of close relations with France. But so pronounced has been the new orientation in the direction of Germany that every Opposition party has been moved to deplore the danger of losing French protection and the risk of ultimate isolation.

Relations with Danzig have improved since the election of Dr. Hermann Rauschning as president of the Danzig Senate in June, 1933. His retirement from official life in November will, it is feared, retard this recent progress.

The signature on Dec. 6 of an agreement between the Polish and British coal industries, regulating export tonnage and prices for a minimum period of three years, was regarded as not only a happy event in itself, but also as a harbinger of a new general commercial treaty for which negotiations have for some time been in progress at London. Poland's trade with the United Kingdom has developed rapidly in recent years and British capital has shown a renewed interest in Polish investments, particularly in railroads and telephone services. The prospective trade treaty was reported in December to contain special privileges for British motor-car manufacturers. Its signature was expected to open an intensive campaign by the Polish Government for the motorization of the country.

POLISH FINANCES

The estimates for the fiscal year 1935-36 point to a deficit of 149,000,000 zlotys, but Treasury officials were correct in calling attention to the fact that in the estimated expenditures

was included 170,500,000 zlotys for capital investment of State monopolies and other State enterprises—railways, postal service, telegraph and telephone services, forests and so forth. Substantial financial returns from these undertakings are assured. In a true sense, Premier Kozlowski explained, the estimates of ordinary revenue and expenditure for the year are better than balanced, the nominal deficit arising only from the fact that the government is furthering capital investments which give employment and are financially profitable.

HUNGARY AND REVISIONISM

After the smoke of battle had lifted after the League Council's adroit settlement of the Yugoslav-Hungarian dispute in early December, one fact stood out, sharply. While the conflict may not have been, as Foreign Minister Benes bluntly asserted, "essentially over revision," that issue was deeply involved. For years a major Hungarian objective has been to overhaul the Treaty of Trianon so as to restore to the kingless monarchy a large part of the territory lost at the close of the World War. In this policy Hungary had begun to receive substantial support from Italy, although France meanwhile made it clear that the possibility of an Italo-French rapprochement depended upon Italy's modifying her support of the revisionist enemies of the Little Entente. One of the direct results of the Yugoslav appeal to the League, and of the Council's handling of the case, was to drive a wedge between Hungary and Italy.

Whether anything has been settled for long is more doubtful. Hungary has in no sense given up her revisionist demands. "I am happy to be able to establish," declared Foreign Minister Koloman de Kanya on returning from Geneva to Budapest, "that our

enemies did not succeed in forcing us to abandon our revisionist program." On the other hand, M. Benes, in a lecture at Prague on Dec. 15, reiterated that the aim of revisionism is to destroy the present status of Central Europe, and that its objectives cannot possibly be attained by peaceful methods. The battle at Geneva was won by the anti-revisionists, but the trench warfare of recent years has already been resumed.

A three-day series of significant conversations between Premier Julius Goemboes and Chancellor Kurt Schuschnigg was concluded on Dec. 15 with the announcement that Hungary had agreed, as have Great Britain, France and Italy, to support the independence of Austria. Previously, the Budapest authorities had steadfastly refused to give such assurances.

RUMANIAN AFFAIRS

King Carol on Dec. 3 formally received Mikhail Ostrovsky as the first Russian Minister to Rumania since Czarist days and was assured that the Soviet Union wishes to maintain "the happiest relations" with its neighbor on the south. The incident was generally construed as ending, in friendly fashion, the controversy over the possession of Bessarabia which dates from 1917, when the province renounced its union with Russia. Bessarabia later voted for annexation to Rumania.

Time and again that stormy petrel of Rumanian politics, Mme. Magda Lupescu, has been reported as finally separated from the King, only to reappear with him and to be found again taking an active hand in affairs. The latest manifestation of her continuing influence came in mid-December, when for a time a Cabinet crisis seemed not improbable. Following a dinner in Bucharest at which the King

and his favorite appeared together, Jon Antonescu, the Chief of Staff, upbraided his host for placing Mme. Antonescu at the same table with Mme. Lupescu. As a result the King's glamorous mistress caused Antonescu to be replaced by General Samsonivici.

This unexpected appointment produced an instant political explosion. The Opposition criticized not only the appointment itself but also the meddling of Mme. Lupescu, whom they claimed King Carol had promised to exclude from politics. To the attacks of political leaders in Parliament were added exhortations from Dowager Queen Marie, who from her self-imposed exile in Belgrade sent her son letters warning him not to put his love for Mme. Lupescu above the safety of the dynasty.

The Rumanian State early in December won a suit of ten years' standing brought by 2,000 Hungarian civil servants living in Transylvania who were dismissed from their posts when Rumania at the close of the World War annexed that province. The officials contended that the Rumanian Government had no right to dismiss them, in the face of a stipulation of the Treaty of Trianon that the rights of Hungarian minorities should be safeguarded. The mixed Hungarian-Rumanian court at Paris before which the matter came for adjudication decided, however, that dismissal or retention of the officials was a concern of the Rumanian Government alone and not a question within the competence of the court.

On Dec. 5, the lawyers of Bucharest went on strike in protest against a decree of the Ministry of Justice which imposed a new and heavy tax on litigants. Courts presented a strange spectacle with none but judges and court officials present. Notwith-

standing a promise of the government to rescind the obnoxious decree, the strikers voted to continue their resistance until a bill which they favored should have been passed by Parliament—a step, it was agreed, that could hardly be taken until after the Christmas recess.

A considerable furor was aroused early in December when the offices of the American-Rumanian Telephone Company were searched by police on the charge that representatives of the company were listening to conversations between high governmental officials with a view to learning State secrets. Senator Filipescu, president of the company, alleged that the government sought to injure him and that listening-in was only for reasons of technical efficiency. After two weeks, the matter was adjusted by an agreement that a military commission should be established permanently in the company's building to check listening-in activities.

BULGARIA'S DICTATORSHIP

In a recent summary, which was naturally one-sided, of the achievements of the Bulgarian dictatorship during its first six months, General Peter Midilov, Minister of the Interior, enumerated the following: (1) Complete vindication of the authority of the national government throughout the kingdom, including suppression of the Macedonian revolutionary organization; (2) reorganization of national, provincial and municipal administration, including a sharp reduction in the number of public officials, with a consequent saving to the taxpayers; (3) the launching of a surprisingly successful internal loan, enabling the State to clear off several past obligations and for the first time in years to pay its civil servants promptly; (4) promulgation and effective execu-

tion of a much-needed law for reducing peasant debts, and (5) reorganization of the country's banking system. No government, General Midilov further declared, ever had more support from the people, as well as from the army. "What the people want is not election excitement and stump speeches, but good government. That is why they approve of our régime."

The Bulgarian Government on Dec. 13 decided to confiscate all property, including buildings, stores and offices, belonging to the former political parties. Upon the establishment of the dictatorship last May, all such parties were forbidden to continue their activities, and were in effect dissolved. Their property, however, was left in the custody of former party leaders. As this arrangement apparently encouraged some of the parties to maintain a skeleton organization with a view to future activities, the Cabinet took drastic action.

Arrests of alleged Communists were numerous in December. Nineteen suspected students were apprehended on Dec. 9 at Tatar Pazardzik, and a week later 500 persons, including 175 soldiers, were gathered in at Haskova on charges of implication in a formidable "Red" conspiracy.

Since the Balkan wars of 1912-13, a standing source of friction between Bulgaria and Greece has been the annexation by the former of a magnificent forest area in the vicinity of Dorpat-Dag, which is owned or leased largely by citizens of Greece. Failing to obtain redress from Sofia for its dispossessed nationals, the Greek Government in 1930 carried the issue to Geneva. A former Swedish Foreign Minister, M. Unden, was appointed arbitrator, and his award under which Greece will receive about 14,000,000 levas has been accepted by both sides.

A GRECO-TURKISH RIFT

A rift in the new Greco-Turkish entente appeared in early December when the Ankara authorities refused to reconsider a new law forbidding the use of ecclesiastical garb within the bounds of the republic. The Holy Synod of Greek Bishops asked the Greek Government for permission to launch an international pan-Orthodox movement of Greek churches against the law. Premier Tsaldaris on Dec. 6 called an emergency council of party leaders to consider the situation. After the meeting, the Premier described the issue as one with "an ecclesiastical, sentimental, and political complexion," an observation generally interpreted in Athens as a diplomatic retreat by the government, although the Premier added that "Greco-Turkish friendship cannot develop on the present basis." The last vestige of governmental resistance to the law was regarded as having vanished when M. Venizelos on Dec. 9 openly supported Premier Tsaldaris's policy of inaction.

On the ground that outbreaks had been planned by sympathizers of both Eleutherios Venizelos and fourteen men accused of killing his chauffeur and wounding Mme. Venizelos, Minister of the Interior Chloros sought late in November to remove the trial of the fourteen from the former Premier's electoral district of Piraeus, and also to have it postponed indefinitely. After conferring with police and constabulary heads, court officials ruled that the trial should be reopened on Dec. 22. It was charged that the Tsaldaris government intended to throw the trial, which legally could not be held in Athens, into one of the near-by cities where jurors would be sympathetic toward the political affiliations of the accused.

Nazi Activities in Memel

By RALPH THOMPSON

FIVE Lithuanian officers of high rank made up the court-martial which recently began hearings at Kaunas in connection with the so-called Nazi threat to Memel. Accused of planning to seize for Germany the little area now under Lithuanian protection, 126 prisoners were placed on trial. Though the verdict was at this writing unknown, there was little doubt that most of the defendants would be found guilty.

Irredentist activity began as soon as Memel was handed over to Lithuania in 1923. As early as 1924, it is said, the German Government gave secret encouragement to all subversive movements there. But with the advent of Hitlerism the encouragement became open and unashamed, in accordance with the avowed aims of the National Socialist régime. When the two Nazi political groups in Memel—the Socialist Peoples party, led by Herr Neumann and the Christian Socialist Workers party, led by Pastor Sass—began to quarrel over matters of precedence, official Berlin acted as mediator. A German paper recently admitted this intervention, explaining that it had been altogether proper and that it was not an interference in Lithuanian domestic affairs.

Lithuania, of course, regarded the question otherwise. The existence of political groups under foreign control was to her intolerable, and a long list of "treasonable" acts made matters even worse. Move after move against the German elements was undertaken,

and finally, in February, 1934, the two German groups were officially banned and a long series of arrests began. The Nazis thus rounded up were brought to trial on Dec. 14.

Since Lithuania is under emergency law, the trial was conducted before a military tribunal. Evidence heard during the first few days showed that two of the accused were German citizens and that others, although at present Lithuanian citizens, had been born in Germany. Pastor Sass, it was charged, had been born in East Prussia; Herr Neumann had served in the German Army.

The indictment, read on Dec. 17, accused the German Consulate General in Memel and the authorities on the German side of the frontier of inspiring and financing the treason. Germans, it was said, had been urged to become Lithuanian citizens for the time being, with the promise of restored German citizenship once Memel had been returned to the Reich. Shock troop battalions in East Prussia were said to be ready to invade Memel when the time was ripe, and numerous members of the Neumann and Sass parties were charged with membership in the German Storm Troops.

As the trial began, an extraordinary session of the Memel Diet was convoked. Governor Novakas explained that Nazi influence had so penetrated the territory that early in 1934 M. Schreiber had been dismissed as president of the Directorate. Schreiber's successor, M. Rejgis, the Governor continued, had been obliged

to resign because in two consecutive convocations the Diet had been without a quorum, and no vote of confidence had been obtainable.

M. Bruvelaitis, the most recent president of the Directorate, was no more successful. Charged with reconstituting the Memel government, he had early in December met with representatives of the German Farmers' party, and on Dec. 4 a new Directorate had been formed. But German propaganda had immediately begun to flow from radio stations across the border, and the Farmers' party decided to recall their nominees. The Lithuanian minority in the Diet, moreover, refused to take part in the assembly; they "would not sit with those who received instructions from abroad and were present not to do useful work but to render useful work impossible." When the Diet assembled on Dec. 13, therefore, only sixteen legislators were on hand. Since a quorum is twenty, the session was for the third time dissolved.

THE BALTIC ENTENTE

The first periodical conference of the Baltic Entente—comprising Estonia, Latvia and Lithuania—met at Tallinn on Nov. 30. Ratifications of the treaty signed at Geneva in September were exchanged, and full approval was given to the Franco-Russian idea of an Eastern Locarno. This move was significant because hitherto Lithuania alone had unreservedly backed the scheme; Latvia had approved in principle only, and Estonia had hesitated to express an opinion before learning what position would be taken by Germany and Poland. The three States reaffirmed their determination to act in concert on all relevant matters of foreign policy and to organize a common representation at the meetings of the League of Nations

and at other international gatherings. More than this the official communiqué issued by the conferees did not divulge, although it was admitted that "all actual questions of European and Baltic politics" had been examined. The next meeting of the conference is scheduled to take place at Kaunas in April or May.

ESTONIAN DICTATORSHIP

Once more in the name of democracy the dictators of Estonia, Acting President Paets and General Laidoner, have tightened their hold on the State. Early in December the prolongation of martial law for another year was decreed, and on Dec. 15 were issued new rules regulating newspapers. The press may print no criticism of Cabinet measures and must display official news on the front page under headlines determined by the authorities.

The need for continued emergency rule was probably impressed upon the dictatorship by the escape from a Tallinn prison on Nov. 11 of Dr. Arthur Sirk, chief organizer of the League of Liberators. According to official reports, it was the Liberators who, by threatening to introduce a Fascist régime, necessitated the coup of March, 1934. On Dec. 5 Dr. Sirk appeared in Finland, having journeyed with his family across the Baltic in a small boat, and was warmly greeted by his followers in exile there. President Paets, probably anticipating renewed Liberator agitation, immediately decreed the formation of concentration camps throughout Estonia. Here citizens considered dangerous to the State may be held by the order of certain high government officials.

THE CONDITION OF SWEDEN

The end of 1934 is said to have marked the end of the depression in

Sweden. Unemployment during the year fell by almost one-half, and the State commission concerned with relief estimated its needs for the coming fiscal year at only 50,000,000 kronor (\$12,500,000). The government-assisted unemployment insurance system voted early in 1934 has been put into effect in only one labor union—that of the garment industry—while foundry workers voted against accepting State aid for their own unemployment funds.

Government income for the first four months of the fiscal year, which began on July 1, increased 24 per cent, so that a budget surplus is now in prospect. The State-owned railroads, which were expected to pay in profits 12,000,000 kronor for the entire year,

during the first four months alone paid 15,000,000 kronor. Wholesale prices have gradually advanced from 103.9 in April, 1933, to 115.1 in September, 1934, the last reporting date. On Aug. 31 private banks had loans totaling 3,811,000,000 kronor and deposits totaling 3,627,000,000 kronor—an abnormally low surplus of loans. The Central Bank is swollen with funds deposited by the private banks; private banks have cut interest on savings accounts to about 2 per cent. The Central Bank's rediscount rate has been lowered to 2½ per cent. Late in the year the country's last foreign loan was liquidated. Sweden's chief difficulty now seems to be to find safe investments for her idle money.

The Soviet Reign of Terror

By EDGAR S. FURNISS

Dean of the Graduate School, Yale University

THE campaign of revenge launched by the Soviet government after the assassination of S. M. Kirov in Leningrad on Dec. 1 continued throughout the month.

Within a few hours of the crime the Central Executive Committee revised the country's judicial procedure in a way that seemed to cancel all the gains in personal rights implied in the reform of the Ogpu last Spring. Political offenses were removed from the jurisdiction of the courts and placed in the hands of military tribunals. The police were limited to ten days in their preparation of charges against persons under arrest, and trials were held within twenty-four hours of the presentation of the indictment to the accused, who were denied the right to

be represented by counsel. No appeal for clemency from the verdict of the military tribunal was entertained and no review of the verdict by any court or official was permitted. Persons adjudged guilty of terroristic acts or of conspiracy against the government or any high official were executed immediately.

Nikolaiev, the assassin of Kirov, was seized at the scene of the crime, and eight Leningrad officials, including F. D. Medved, Chief of Internal Affairs, and his assistant, F. T. Formin, were arrested for criminal negligence. At the end of the ten-day period set by the new decrees the police obtained an additional ten days in which to complete their case against Nikolaiev. Hence it was not until Dec.

21 that an indictment made public the official version of the crime. The Soviet authorities, meanwhile, had invoked their new powers of summary justice, basing their actions on grounds that now seem inconsistent with the subsequent explanation of the crime.

The government, as soon as the judicial procedure had been revised, arrested seventy-one persons in Moscow and Leningrad upon charges of plotting terrorist acts. By Dec. 5 the whole group, stigmatized as "White Guards," had been brought to trial before military tribunals and sixty-six had been executed. The remaining five were held for further investigation. The communiqué announcing the executions stated that these individuals had planned to lead a violent counter-revolution and had recently entered the Soviet Union through Latvia and Finland. Twelve more persons charged with similar offenses were arrested near the Polish border on Dec. 7 and four days later nine of the accused were executed by order of the military court. Another group of thirty-seven persons were seized in the Ukraine on Dec. 10 and within a week twenty-eight of them had faced the firing squad. By this time 130 persons had been arrested and 103 executed.

These people apparently had no former standing of any importance in the Communist movement. In the charges against them no such suspicions were disclosed as were later embodied in the indictment of Nikolaiev. They were represented as agents of the old counter-revolutionaries sent into the Soviet Union by foreign capitalist enemies to precipitate disorders that would pave the way for foreign intervention.

The indictment of Nikolaiev gave a different aspect to the affair. This document was based on an alleged

confession by the prisoner who characterized himself as the agent of an anti-Stalin faction within the Communist party. The assassination of Kirov was to be the first of a series which was to include Stalin. The faction was described as a remnant of the old Trotsky-Kamenev opposition. Its ultimate objective, after the present Soviet leaders had been killed or driven into hiding, was said to have been the triumphal return of Trotsky as supreme dictator. The indictment contained a mysterious reference to a foreign power which was providing funds for the conspiracy and had promised military support. To all intents and purposes, however, the Soviet Government has now abandoned its charges against foreign capitalist enemies and has turned the affair into a struggle for power between factions within the Communist party.

For several days before the indictment was published the press had suggested that this would be the official version of the matter. There was violent outcry against the Trotskyites and a demand for the ruthless destruction of Stalin's opponents within the party. On Dec. 20 Zinoviev, Kamenev and thirteen other Communists, some of them—like Yendokimov, a former president of the Leningrad Soviet, and Safarov, a prominent authority on foreign affairs—individuals of distinction in the party and the government, were placed under arrest. At the same time a "purge" was launched throughout the party and the schools to remove from office every individual suspected of lukewarmness in his adherence to the Stalin program. This heresy hunt, urged on by a hue and cry in the press, led to the expulsion of several teachers from their posts and the removal of many Soviet officials from office in different parts of the coun-

try. On Dec. 28 and 29 Nikolaiev and thirteen of his alleged fellow conspirators received military trials and were promptly executed, thus bringing the death list to 117.

The apparently inconsistent behavior of the government raises some doubt as to the facts of the crime itself and the real purpose of the government in prolonging its punitive activities. If we can accept the indictment of Nikolaiev as representing the truth, the whole affair seems to be merely a sordid struggle for power characteristic of dictatorship. The initial wholesale killings can be dismissed as evidence of panic or as the seizing of a chance to clear out a miscellaneous group of enemies. But this view of the matter requires the student of Soviet affairs to seek an explanation of the present strife in the history of the Russian Communist party.

When Trotsky broke with Stalin in 1927 he carried with him a number of the most powerful figures in the party, particularly Radek, Zinoviev and Kamenev, all revolutionary leaders. In this dispute over a question of policy the Trotsky faction stood firm for the original Communist doctrine of world revolution as indispensable to the establishment of socialism in a single country. Thus the Trotskyites opposed Stalin's program of social reconstruction within Russia alone. The contest, fought out in the 1927 Communist congress, resulted in a complete victory for Stalin, and thereby the adoption of the Five-Year Program with all its national and international implications as the official policy.

The opposition then broke all rules of party discipline. By fair means and foul, they fought Stalin and his lieutenants, thus changing the dispute into a factional struggle for the dictator-

ship. This heretical conduct betrayed the Trotskyites into the hands of their enemy. They were all expelled from the party and subjected to varying degrees of punishment. Trotsky was first exiled to Siberia and then banished from the country; the other leaders were also exiled, but were eventually released after recanting their heresy and humbly pleading for pardon. Further protestations of loyalty to Stalin led to the reinstatement of Radek, Zinoviev and Kamenev in the party. Radek alone regained a responsible position. Both Zinoviev and Kamenev were again humbled by expulsion from the party and were again obliged to beg forgiveness. Since their second reinstatement in 1933 they have held only obscure posts in the government. Radek has succeeded in divorcing himself entirely from his former allies and is now leading the campaign against them.

Trotsky has not concealed his determination to fight Stalin until he succeeds in recapturing control of the Soviet régime. His home in Constantinople and, during the past year, in France, has been the headquarters of a world-wide assault upon the Stalin interpretation of communism. He has split the party in all foreign countries into bitterly hostile factions and is himself the leader of the Left Wing which stands for the original doctrine of world revolution. It will be recalled that Trotsky's activities received the attention of the French police last Spring when he was expelled from his villa near Paris for engaging too aggressively in the campaign to wrest the leadership of the international movement from the Stalin group.

Publications in the opposition Communist press in the United States and other countries show that Trotsky has not ceased his attacks on the Soviet leaders. But there has been no

evidence until now that any of his followers had organized for violent action within the Russian Communist party. Even now it is not clear that the guilt of the more prominent Communists under arrest in Russia can be established. The government has made a special grouping of Zinoviev, Kamenev and certain other outstanding persons and has turned them over to a commission "for consideration of their cases for banishment." When the execution of Nikolaiev and his thirteen fellow-conspirators was publicly announced on Dec. 29, the authorities pointed out that the older and more famous members of the original Trotsky faction were still unpunished. There were, however, rumors that they had been exiled.

Although the Stalin government will undoubtedly emerge unshaken from this intra-party struggle, so that no change will occur in the political structure of the country, these events are of real importance because of their indirect consequences. There had been considerable evidence of late that the Soviet Government was beginning to discard the terrorist methods of dictatorship in favor of a more liberal and tolerant policy. The abolition of the Ogpu and the establishment of judicial procedures to safeguard popular liberties were but a phase of this new policy. Greater freedom had been given to the people in their economic and cultural activities and in amusement, dress and the frivolities of life. According to all observers these new liberties led to a marked relaxation of the general tension and the appearance of a novel buoyancy and gayety of spirit among the people. It would be an exaggeration to say that all this improvement has been destroyed by the events of December. Nevertheless, the judicial reforms of last Spring with their

promise of a fundamental charter of civil rights have been largely emasculated.

The security and prosperity of individuals suspected of heretical political views is not much greater now than in the old days of the terror; the atmosphere of uneasiness and fear has returned, particularly in the chief cities. This condition is made worse by the hatred and vindictiveness toward unidentified social enemies aroused in large sections of the population by prolonged press propaganda. In terms of confidence in the future and a sense of security, the people of the Soviet Union have paid heavily for the struggle among their leaders.

Soviet foreign relations have also suffered. Mass protests against the brutality of the Soviet Government have been made in countries that recently had shown a growing cordiality toward Russia. This is especially true of the United States and of Great Britain, where mass meetings against the abolition of trial by jury resulted in representations to Soviet officials. It is only just to observe that a triumph of the Stalin group over the Trotsky faction will mean renewed emphasis on international peace and the conservative policy with respect to class war in other countries, for these are the distinguishing features of Stalin's program as contrasted with that of his opponents. But the means employed by the Soviet leaders have shocked popular feelings of justice, particularly in Anglo-Saxon countries where friendship with Russia is still new. The conception of the Soviet régime as a ruthless dictatorship based on terror had begun to fade in these countries, thus preparing the way for really friendly international relations. The events of December have revived the old conception of bolshevism.

Persia's Unsettled Frontiers

By ROBERT L. BAKER

PERSIA'S growing sense of strength and importance under the vigorous régime of Riza Shah Pahlevi is reflected in dissatisfaction with certain of her frontiers. At the present time she is engaged in three distinct boundary disputes, and a fourth is imminent. Perhaps emboldened by her victory over Great Britain in the dispute over the Anglo-Persian oil concession, Persia appears to be resurrecting old claims and to be pressing them with vigor.

Several times since Riza Shah's accession Persia has objected to the British protectorate over the valuable Bahrein Islands in the Persian Gulf, basing her claim on an occupation that ended in 1783. Great Britain, however, has shown no inclination to argue the matter and has simply announced that Persia's contention is unacceptable.

Early in December the Iraqi Government deposited a note with the League of Nations protesting against Persian aggression and violation of a protocol of 1913 which determined the Turkish-Persian frontier, since inherited by Iraq. The Teheran press on Dec. 14 took offense at the Iraqi note and declared that Persia had signed the 1913 protocol under pressure and that it had never been ratified by the National Assembly. The arguments on both sides will doubtless be presented to the League of Nations within a few months.

With the consent of both Persia and Afghanistan, a boundary dispute between the two countries is being arbi-

trated by a Turkish military commission. Far more serious is the situation created by an Afghan attack on the Persian frontier town of Zourabad on Dec. 13-14, when three persons were killed and 2,000 were captured and taken across the frontier into Afghanistan. Zourabad and twenty-five nearby villages were looted, with a property loss estimated by the Teheran newspapers at \$250,000. The Persian press asserted that Afghan army officers and civil officials were in the raiding party. Afghanistan, which was elected to membership in the League of Nations only last Autumn, may be called upon to answer for this incident in its début at Geneva.

TURKISH FEARS OF ITALY

Following news that important Italian military, naval and air forces had been concentrated at Rhodes, just off the Turkish coast, the Turkish War Office on Dec. 18 ordered a partial mobilization of troops in Southwest Anatolia. There has been a certain amount of tension between Turkey and Italy since Mussolini referred to the necessity of Italian expansion in Asia in a speech last Spring. Although he attempted to reassure the Turkish Government by declaring that he considered Turkey a European country, Ankara has scrutinized Italian activities in the Eastern Mediterranean with suspicion and anxiety. Through the Balkan pact and negotiations with the Little Entente, Turkey has recently fallen into the orbit of French diplomacy, and Mus-

solini would undoubtedly like to influence Turkey against committing herself too strongly to the French. More plausible is the possibility that the preparations at Rhodes (if such there are) are aimed at Abyssinia.

Republican Turkey's progressive emancipation of women culminated on Dec. 14, when the Grand National Assembly unanimously amended the Constitution in order to permit women to vote and to become Deputies. The voting age of women was fixed at 21, and that of men was raised from 18 to 21. About 2,000,000 women will be affected, and they are preparing to show their gratitude by presenting Mustafa Kemal Ataturk with a parchment scroll which several hundred thousand of them will sign. They will exercise their suffrage for the first time in the parliamentary elections to be held later in the Winter. Since 1930 Turkish women have had the right to vote and stand for office in municipal elections.

As a result of negotiations covering more than a decade, the Turkish Government agreed on Oct. 25 to pay \$1,300,000 in settlement of all claims of American citizens for wartime damages. Turkey recognized these claims in an agreement of Dec. 24, 1923. Payment will be made in thirteen instalments of \$100,000 each, without interest, and are expected to begin on June 1, 1936.

Germany's favorable trade balance with Turkey for the first nine months of 1934 was more than double that of the same period in 1933, increasing from 4,010,000 marks to 9,188,000 marks. German-Turkish trade totaled nearly 70,000,000 marks for the nine-month period, as against 51,000,000 marks in 1933.

The Diarbekir vilayet in Eastern Turkey again suffered from severe earthquake shocks on Dec. 15 and 16.

Twenty-five villages were destroyed, 20 persons were killed, more than 100 were injured and many thousands of peasants were made homeless.

THE EGYPTIAN DEBT

The question whether the Egyptian public debt should be paid in Egyptian currency, as Egypt desires, or in gold, as the French bondholders demand, came before the Mixed Court of Appeal in Alexandria after several postponements on Dec. 20. Counsel for the French and Italian commissioners of the debt at once asked for a further adjournment for three months. The request was granted and April 11 was set by the court as the date for pleading.

PALESTINE TAKES GERMAN GOODS

Palestine is now importing considerably more German goods than it did before the advent of Hitler and the Nazi persecution. This is because the Nazi laws affecting the alienation of funds prevent refugees from taking their entire capital with them. The 20,000 Jews who have gone to Palestine from Germany have been able to take with them only enough cash to pay expenses for a few months in their new home. But under a transfer agreement reached some months ago they are allowed to bring out about two-thirds of their capital in German merchandise. The rest they receive in cash, but over a period of time.

These transfers are handled by the Anglo-Palestine Bank, the Jewish National Fund and other organizations. Considerable quantities of the German goods imported in this way are useful for constructive purposes. Irrigation pipe, iron, industrial machinery and building materials predominate. Although there has been

criticism in some Jewish circles of this use of German products in building the new Jewish homeland, the fact remains that the transfer agreement offers the only means by which German Jewish refugees can salvage their wealth.

Until the German-Jewish refugees in Palestine formally acquire citizenship in their new home they will be without a country, as they have been officially informed by German consular agents that their German citizenship has been canceled.

The reconciliation reached between the World Zionist Executive and the Zionist Revisionists on Oct. 27 (see December CURRENT HISTORY, page 379) proceeded a step further on Dec. 14, when the Revisionists agreed to suspend their boycott against Zionist national funds. In return, the Revisionist party's share of immigration certificates to Palestine will be restored to it.

Zionists were heartened by the action of the British High Commissioner in approving the purchase by the Jewish Agency of the Lake Huleh land concession, which was granted to an Arab group in 1914. The tract, consisting of about 50,000 acres, most of it now under water, lies north of Safed, near the Syrian border. After the swamps have been drained and an irrigation system built, it is believed that the land will be the most fertile in Palestine, worth far more than the reported price of \$1,000,000. Some 5,000 Arabs are at present living there, and 15,000 acres are being reserved for occupation by them. An Arab delegation that protested against the sale of the concession to the Jewish Agency was told by Sir Arthur Wauchope on Dec. 2 that the "policy of the government is to increase the country's productivity," and that the Jewish development of the Huleh

tract would be a blessing to Palestine.

Telegrams in Hebrew characters are now permitted by the postal authorities in Palestine.

SYRIA OPENED TO JEWS

When it was announced on Nov. 26 that Jews would be permitted to settle in Syria and the Lebanon, the conditions as published were much harder than they have actually turned out to be. (See CURRENT HISTORY, January, page 507.) It was then stated that full title to lands along the Palestine frontier would be denied to Jews lest such land serve ultimately as an excuse for modifying the frontier in favor of Palestine. Immigration, moreover, was to be confined to Jews of the capitalist class, able to establish industries and employ Syrian labor, and there were to be no Jewish colonies similar to those in Palestine. But according to an announcement of the Jewish Telegraphic Agency on Dec. 22, engineers, artisans and farmers, as well as industrialists, will be allowed to settle in any part of Syria, and a section of land bordering the Palestine frontier has already been purchased by a group of Alsatian Jews for the establishment of three Jewish colonies.

THE ASSYRIAN PROBLEM

After many disappointments, the League committee which was entrusted with finding a suitable home for Iraq's discontented Assyrian minority has turned to Great Britain's offer of a district in the interior of British Guiana. Brig. Gen. Gilbert Brown and Signor Giglioli, League commissioners, arrived at Georgetown on Oct. 30 for a three months' investigation of the proposed area. According to a dispatch received at Georgetown on Dec. 22, the commissioners were favorably impressed and would recommend the district.

Trade Prospects in the Far East

By GROVER CLARK

THE trade mission under Lord Barnby, sent by the British Federation of Industries last Autumn to study the situation in Japan and Manchuria, submitted its report in London on Dec. 20. This document paints a glowing picture of the opportunities in Japanese-controlled areas which lie before British industry, chiefly, at present, "in the provision of capital goods in connection with the rapid development now taking place." But it points out that the oil sales monopoly in Manchuria, if carried out, "will act as a deterrent to foreign capital from embarking upon enterprises in that part of the world." The diplomatic question of recognition of Manchukuo is specifically stated to be outside the mission's field.

As for Japan herself, the mission reports that the country is at the apex of her competitive strength. "We do not, however, believe for one instant that Japan is in a position to capture world trade either in all markets or in all products, or to destroy the highly developed industries of the West, particularly those in our own country." Protection of British industrial interests is urged, but not a trade war with Japan. The "better and more statesmanlike method" of "cooperation between British and Japanese industry" is recommended instead, though "each side would have to recognize the legitimate aspirations and difficulties of the other."

The report appears to have been received enthusiastically in Japan, but with some criticism in Great Britain. The mission obtained orders for

\$40,000,000 worth of steel products for delivery to Japan and Manchukuo in 1935. The point is made, however, that this particular time, when Great Britain and the United States are disagreeing with Japan on naval questions, is not a good one at which to urge measures that would tend to turn Great Britain toward Japan and against the United States. The interchange of commodities arranged for, it also is suggested, is likely to continue only so long as Japan needs "capital goods" for her expansion.

The French seem to think the British trade mission was well worth while. They are planning to send a similar mission, headed by Etienne Fougère, president of the National Association for Economic Expansion. It will also be non-governmental.

The prospects of a new trade agreement between Japan and Australia were improved by the arrival in Sydney, on Dec. 17, of a Japanese trade mission, following the recent visit to Japan of a trade mission from Australia. The new agreement, if one is worked out, is expected to deal principally with the exchange of Australian wool for Japanese cotton goods.

A new link was forged between Japan and the rest of the world when regular commercial transpacific radio telephone service was inaugurated on Dec. 7. Secretary Hull, Foreign Minister Hirota and the two Ambassadors exchanged greetings.

DISCONTENT IN JAPAN

The first mutterings of discontent in the Japanese Diet against the new

budget were silenced promptly and effectively. A special session was being held early in December to pass the Cabinet's program of a three-year grant of 209,000,000 yen for relief. The majority party (Seiyukai) members and others grumbled because the proposed budget for the fiscal year 1935-36 provided practically in full for the much-increased appropriation asked for by the army and navy, but cut the relief appropriation drastically even though this past year has been one of severe hardship for the bulk of Japan's farmers and a large part of her industrial workers.

On Dec. 5 a private member introduced, and the House of Representatives passed, a resolution calling for 180,000,000 yen for relief, in addition to the amount proposed by the Cabinet. The Cabinet promptly informed the Seiyukai chiefs that if the resolution were not dropped the Diet would be dissolved. The resolution was dropped, and the Cabinet's plan was given rubber-stamp approval.

Then, on Dec. 24, the regular Winter session of the Diet met, only to adjourn, in accordance with custom, till it would meet for business late in January.

General Jiro Minami assumed office as Japanese Ambassador to Manchukuo and Commander-in-Chief of the Japanese forces in Manchuria on Dec. 10, thereby tying the final knot in the army's complete and dictatorial control of all Japanese undertakings, civil as well as military, in Japan's new bailiwick. (See *CURRENT HISTORY*, December, 1934, pages 383-84, and January, 1935, page 509, for details of the reorganization of Japan's administration in Manchuria.)

An Associated Press dispatch told the sort of man General Minami is and what might be expected of him. It said that "a Japanese writer who has

followed his career closely describes General Minami as an unwavering believer in his country's imperial destiny on the continent of Asia and an exponent of direct, forceful methods of dealing with any that oppose Japan's mission to 'maintain the peace of East Asia.'" Under his command General Minami has about 60,000 Japanese troops which he may use as he sees fit, without even the formal approval of the Manchukuo Government. Under the terms of the protocol of Sept. 15, 1932, by which Japan recognized Manchukuo as an independent State, she has full responsibility for the defense and policing of Manchuria.

Japan has received another rebuff from the League of Nations. After somewhat protracted hearings, the League's Mandates Commission, on Dec. 23, drafted its report on the Japanese administration of islands held under mandate in the Pacific. The commission found unsatisfactory Japan's explanation of what has been done. The next step, it is anticipated, will be a request that the League Council ask a committee of jurists to advise it on the legal point whether Japan will be entitled to hold the islands under a mandate after her notice of withdrawal from the League comes into effect in March. Japan insists that withdrawal will not affect her right of mandate control of the islands.

RUSSO-JAPANESE RELATIONS

A final settlement of the sale of the Chinese Eastern Railway came one step nearer when, on Dec. 11, Foreign Minister Hirota formally offered a guarantee of payment by the Japanese Government, setting aside a plan to have the initial cash payment of one-third of the total amount taken care of by a syndicate of Japanese banks. For handling disputes over the payment of the other two-thirds, which is

to be in goods, Mr. Hirota proposed the creation of an arbitration commission of two Russians, one Japanese and one Manchukuoan. If the commission cannot agree, the Japanese and Soviet Governments would deal directly in cases involving Japanese, and the Manchukuo and Soviet Governments in cases involving Manchukuoans. The Soviet Ambassador at once wired these proposals to Moscow.

New difficulties have arisen between Soviet Russia and Manchukuo, as a result of an alleged invasion of Manchukuo territory, near Vladivostok, by Soviet troops. Both Tokyo and Hsinking, however, are belittling the affair.

The Japanese newspapers and some others in Japan are getting worried over the presence at Vladivostok of a number of Russian submarines of a size quite capable of making serious trouble for Japan in case of war. The submarines apparently were brought across Siberia in parts and assembled at Vladivostok. The numbers reported run all the way from twelve to forty. One Japanese magazine, which says it has studied the question, claims that the Russians are working toward a fleet of fifty submarines, based at Vladivostok. Japanese navy men pooh-pooh the possibility of a threat, saying that with mines it would be easy to bottle the submarines up in Vladivostok harbor.

CONDITIONS IN CHINA

Complete harmony has not as yet been restored between Canton and Nanking, but Sun Fo and a number of others of the Southern faction were on hand among the 106 who appeared at the opening of the plenary session of the Central Executive Committee of the Kuomintang at Nanking on Dec. 10. Sun Fo also was elected, with General Chiang Kai-shek, Premier

Wang Ching-wei and four others, to the presidium of the sessions. One of the first acts of the C. E. C. was to refer to a special committee the draft "permanent" Constitution submitted by the legislative committee. Another was to approve the proposed judicial reforms and to refer these to the Central Political Council for action with a view to hastening the end of foreign extraterritorial jurisdiction.

A report submitted to the C. E. C. by the National Economic Council said that \$15,000,000 (about \$5,000,000 United States) had been spent on national reconstruction during the year, the principal result being the construction of many miles of new highway. Foreign trade was discussed, and recommendations were adopted for higher tariffs and encouragement of exports in order to reduce the unfavorable trade balance of recent years. The meeting of the fifth Kuomintang National Congress, originally set for November, was indefinitely postponed.

Bright promises for the early ending of the "Communist menace" in China again were held out toward the end of December in numerous reports and statements through Nanking channels, but, as previously, they appeared to be contradicted by other reports showing where battles with the Communists actually occurred. On Dec. 22 General Chiang issued a manifesto dwelling on the damage done by the Communists; he claimed that "some 6,000,000 people have been rendered homeless and driven into exile and suffering, while 1,000,000 innocent victims have been slaughtered in cold blood by these ruthless raiders." The people, he said, were "responding enthusiastically to the government's program of recovery and reconstruction and are now very hopeful."

But if all this were so, one wonders

why the 1,000,000 Nanking soldiers said to be in the field have not long since made good on the stories that the Communists were completely crushed. Other reports, for example, had it that the Communists' forces had been broken up into small, disorganized bands. Nevertheless, General Chiang, on Dec. 12, had felt called on to telegraph a stinging rebuke to Pei Chung-hsi, the Kwangsi commander, for permitting an army of 60,000 Communists to elude capture. General Pei replied bitterly that his forces had been engaged in "a single-handed battle for five days against heavy odds"—presumably without success, since the Communists got through on their way to set up a new Soviet State in the further west.

Conditions in Anhwei Province also have become so disturbed that the American, British and Japanese authorities have sent warships to the Yangtse port of Wuhu to protect the missionaries and other foreigners who, at the request of their consuls, are coming out from the interior. Two American missionaries, Mr. and Mrs. John C. Stam, were killed on the way out. Several Chinese were arrested and executed for alleged complicity in the affair. The Stams' infant daughter was saved.

In spite of the export tax placed by the Nanking Government on silver, the outward flow seems to have gone on with even renewed vigor, though through other than regular trade channels. Large amounts are being called back into the interior from Shanghai by those who had the metal on deposit in the port city, and Chinese silver dollars and "shoes" are turning

up in Hongkong and Dairen (outside Chinese jurisdiction) in amounts running to many hundreds of thousands of dollars. The Chinese merchants are smuggling their silver out of the country to escape the 15 per cent taxes on exports. The bankers, alarmed by the continued drain of silver from China in general and Shanghai in particular, are talking about the desirability not only of abolishing the export taxes but also of refunding the taxes already paid on condition that the silver be brought back into the country.

SIAM AND ITS KING

King Prajadhipok of Siam has talked with the delegation from the Siamese Government which went to England to try to persuade him not to abdicate. The delegation reached London on Dec. 7, and saw the King on Dec. 12 and again on Dec. 23. All that the public was told about the results of the discussions was that the King would withhold his decision until after the delegation left England.

Meanwhile, on Dec. 15, the Siamese Parliament opened. The speech from the throne said in part: "My government will carry out the policy already laid down for the achievement of six principles: independence, internal order, economy, equal rights, liberty and education."

A high Siamese official in London on Dec. 14 took occasion to deny emphatically the authenticity of the many rumors which have been in circulation that negotiations were in progress with Japan for the construction of a canal across the Malay Peninsula. He said that Siam and Japan were not cooperating politically in any way.